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**The Centralization-Decentralization
Conundrum: Organization and
Management in the Canadian
Government**

The Centralization-Decentralization Conundrum: Organization and Management in the Canadian Government

by
Peter Aucoin and Herman Bakvis

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Foreword

Much recent work within the Institute for Research on Public Policy has reflected the conviction that the philosophy, structure, and conduct of government are themselves substantial questions of public policy. It is natural to focus on the content of any policy field—identification of policy instruments, determination of desirable policy stances, design of optimal programs, estimation or the likely consequences or outcomes. But in fact questions of process and structure may be—at least—as important as the analysis of policy when it comes to understanding the actions and impacts of governments. Who makes decisions, how policies are implemented, where accountability is exercised—these questions are central to the explanation of public policy outcomes and to the delivery of programs.

The organizational structure of government is one of the important elements which influences the public policy process and its outcome. Governments have become exceedingly complex organizations. How they are organized has much to do not only with administrative efficiency but also with ability to respond to new demands and changing circumstances and to surmount "the rigidities and pathologies of bureaucratic structures".

In this study of the organizational structure of the federal government in Canada, Aucoin and Bakvis concentrate on the issue of centralization versus decentralization, the degree to which power (decision-making authority and control) is centralized at the top of the structure rather than devolved to lower levels. In the Canadian

context, this question has not only a functional dimension but also a spatial one. The deconcentration of government through a relocation of staff from Ottawa to regional offices and the devolution of authority which might accompany it are crucial questions in such a regionally diverse political system as Canada's.

Examining the organizational structure of government, both in theory and in practice, is thus an important exercise. Revisiting this much-studied topic is even more important in the context of the new information technologies being adopted by government together with other parts of the Canadian economy. Government is perhaps the ultimate information industry. As the technology of information creation, gathering, storage and dissemination changes, the organizational structure will inevitably be influenced. Perhaps more significantly, the ability of government to make good use of the technologies now available may well depend crucially on the way in which government is organized. This is not an issue to which Aucoin and Bakvis devote much direct discussion. Their study was commissioned to provide a foundation, however, for further research that will go on to explore this question. Insofar as modern computer and communications technologies remove time and distance as constraints on the information system, new doors are opened regarding the organizational possibilities of government. At the same time, new questions regarding access, decision-making authority, deconcentration, etc. emerge. Given current and prospective information technologies, the design and operation of management information systems in government becomes intimately connected to organizational structure and vice versa. The relationship itself is not new but possible permutations of the two are.

Aucoin and Bakvis study the fundamental tension between the forces of centralization and decentralization in government. They see a deliberate effort at the present time to achieve greater decentralization, an initiative which they welcome and one which their analysis supports. They argue that "public policy and program design cannot be accomplished effectively by centralized planning or even centralized coordination of planning."

The new philosophy of management in government to which they refer, based on greater decentralization and delegation, thus is seen as central not just to organizational structure and process, but to policy content and outcome. This study thus is intended to provide an understanding of some of the structural prerequisites to an enterprising and dynamic public service, and the pursuit of excellence in public management.

Rod Dobell
President

May 1988

Avant-propos

Beaucoup des travaux récents de l'Institut de recherches politiques témoignent de la conviction que la philosophie, la structure et la conduite d'un gouvernement constituent en elles-mêmes des aspects importants d'une mesure politique. Il est normal de mettre l'accent sur le contenu d'une politique, c'est-à-dire, de vouloir identifier les moyens employés, déterminer les positions et les programmes souhaitables ainsi que les résultats où conséquences probables. Pourtant, lorsqu'il s'agit de bien comprendre les actions et l'impact d'un gouvernement donné, il se peut bien que les questions de mise en application et de structure soient aussi importantes que l'analyse des politiques elles-mêmes. Qui prend les décisions, comment les politiques sont-elles réalisées, qui en assume la responsabilité, voilà des questions qui permettent de bien comprendre les résultats d'une politique et les programmes qui en découlent.

La structure organisationnelle gouvernementale est l'un des facteurs importants qui influent sur le processus de mise en application d'une mesure politique et sur les résultats éventuels de celle-ci. Les gouvernements sont devenus des organismes d'une grande complexité. Leur mode d'organisation a une grande influence, non seulement sur leur efficacité administrative, mais aussi sur leur capacité d'adaptation face aux nouveaux besoins et aux changements, et face aux "rigidités et défauts des structures bureaucratiques".

Dans cette étude consacrée à l'examen de la structure organisationnelle du gouvernement fédéral du Canada, messieurs

**THE CENTRALIZATION-
DECENTRALIZATION
CONUNDRUM:
Organization and
Management in the
Canadian Government**

by Peter Aucoin and Herman Bakvis

Aucoin et Bakvis s'occupent de la question de la centralisation opposée à la décentralisation, c'est-à-dire qu'ils comparent le degré de centralisation du pouvoir au sommet (pouvoir décisionnel et contrôle), par rapport à sa délégation à des niveaux inférieurs. Dans le contexte canadien, ce problème a non seulement une dimension fonctionnelle, mais aussi un aspect spatial. Dans le cadre d'une déconcentration, le transfert de personnel d'Ottawa dans les bureaux régionaux et la délégation de pouvoir qui peut accompagner cette mesure sont des éléments très importants dans un système politique aussi régionalement varié que celui du Canada.

Le réexamen de la structure organisationnelle du gouvernement — sujet qui fait l'objet de nombreuses études — d'un point de vue théorique et pratique, devient très utile dans ces circonstances, et ce d'autant plus que le gouvernement, de même que les autres secteurs de l'économie canadienne, sont en train d'adopter les nouvelles technologies de l'information. Le gouvernement est peut-être l'industrie suprême de l'information, et du fait que les technologies de l'information évoluent du point de vue de la création, du rassemblement, de la conservation et de la diffusion des données, la structure organisationnelle gouvernementale devra inévitablement en subir les contrecoups. Il est même possible que l'aptitude du gouvernement à profiter d'une telle technologie dépende avant tout de son mode d'organisation. Messieurs Aucoin et Bakvis ne discutent pas directement de ce problème. Leur étude a été conçue dans le but de fournir la base nécessaire pour poursuivre la recherche dans cette direction. Dans la mesure où les technologies modernes de l'informatique et des communications éliminent les contraintes de temps et d'espace du système d'information, les méthodes de gouvernement ont à leur disposition des moyens d'action accrus. Parallèlement, de nouveaux problèmes émergent, relativement à l'accessibilité, au niveau du pouvoir décisionnel, à la déconcentration, etc. Etant donné les technologies actuelles et futures de l'information, la conception et la mise en oeuvre des systèmes informatisés de gestion au sein du gouvernement deviennent intimement liées à la structure organisationnelle gouvernementale, et vice versa. La relation en elle-même n'est pas nouvelle, ce qui est nouveau, ce sont les permutations possibles entre les deux.

Messieurs Aucoin et Bakvis analysent la tension fondamentale qui existe entre les forces de centralisation et de décentralisation à l'intérieur du gouvernement. Ils constatent qu'à l'heure actuelle, un grand effort est fait dans le sens de la décentralisation; ils le soutiennent et s'en félicitent. Ils affirment, entre autres choses, que la conception des politiques et des programmes publics ne peut être efficacement établie à partir d'une planification centralisée, ou même d'une planification dont la coordination est centralisée.

Les nouvelles attitudes envers la gestion gouvernementale, basées sur une plus grande décentralisation et délégation de pouvoirs, sont donc considérées comme étant indispensables, non seulement à la structure organisationnelle et à la mise en application de mesures politiques, mais aussi aux conséquences de ces dernières. Cette étude vise donc à expliquer sur le plan structural, certaines des conditions essentielles au développement d'une fonction publique dynamique et entreprenante, et à la recherche de l'excellence dans le domaine de l'administration publique.

Rod Dobell
Président

Mai 1988

Preface

The organizational design of the executive-bureaucratic arena of the Government of Canada has been the subject of extensive study and analysis over the past two decades and more since the early 1960s by independent commissions and committees, by academic investigators and by the Government of Canada itself. Much organizational change has occurred over this period and this, in large measure, accounts for the continuing interest in the subject. With a few exceptions, however, the focus has been on the central decision-making processes in this arena. This is not surprising given that our system of cabinet government concentrates authority at this apex. A further reason for this focus is that it is at this level where one finds a certain uniformity in the arrangements of authority for policy development. At the level of departmental decision making, on the other hand, the design of organizational structures is much less uniform. Indeed, at this level one finds a great variety of approaches and practices. This variety obtains notwithstanding the efforts of the central apparatus to impose a certain standardization with respect to a great number of administrative systems.

A study such as ours that attempts to examine and analyze centralization-decentralization in organizational design and practice is thus confronted by two realities. First, there is this considerable variety in departmental design and practice. Second, there is a paucity of studies on this very phenomenon. The implications of these realities for our study were also twofold. First, we had to recognize

that our effort was a preliminary one, in the sense that we could not pretend to be able to capture in great detail all of the variations which obtain in departmental designs and especially practices. In a number of ways, we were starting with a very limited data base. Second, however, we also quickly recognized that we could not simply single out a few departments as representative "cases" of this larger universe of departments. We could not be certain that a few departments would be representative of all departments in terms of what was of interest to us.

Our approach, accordingly, was to cover as much of the spectrum of departmental designs as possible, recognizing that we had to limit ourselves to what we considered to be general tendencies in design and behaviour. This meant that we had to rely extensively on a series of interviews with officials at the centre and in the field. In all we have interviewed approximately 150 officials, some more than once, for this and related studies. These interviews were conducted on a confidential, not-for-attribution basis. We cannot claim that those whom we interviewed constitute a representative sample of federal officials; our network of interviewees developed as our work unfolded. We are confident, nonetheless, that among those we have interviewed, a full spectrum of views on this subject can be found.

Given our approach, we are obviously greatly indebted to those officials who shared with us their time, provided us with information, and gave us their views and insights on this subject. They must, of course, remain nameless. At the same time, however, we must express our gratitude to Mr. Jaffray Wilkins, formerly federal economic development coordinator (Nova Scotia) and now vice-president (Nova Scotia) of the Atlantic Canada Opportunities Agency, for his support of this study, especially in giving advice on our approach and in lending logistical assistance in connecting us to senior regional officials. He is in no way to be held accountable for what we have written. We owe much to Mr. J. Douglas Love, a retired federal official who held several senior positions in the Government of Canada and was for some time a colleague in the School of Public Administration, Dalhousie University. As a keen student of public administration, in addition to his experience as practitioner, Mr. Love has given us an appreciation of the nuances of administrative behaviour that is hard to find merely through reading the literature. We are grateful to him but also must relieve him of any responsibility for the conclusions we have reached. Finally, we express our appreciation to those who reviewed this report for the Institute for Research on Public Policy (IRPP); they remain anonymous.

Dr. Barry Lesser of IRPP, has supported us throughout this study, first by providing the resources for us to undertake our research and second by his patience in waiting for us to complete our writing. We wish to acknowledge his support in both respects.

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May 1988

The Authors

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Canada. He has also been assistant editor of the *Canadian Journal of Political Science* (1984-87) and recently co-edited (with W.M. Chandler) *Federalism and the Role of the State*. Presently he is working on a book entitled *Regional Ministers, Cabinet Government, and the Administrative State*.

Executive Summary

The Government of Canada has made efforts in recent years to achieve a greater degree of managerial deregulation and administrative decentralization. This study examines these efforts in light of the evolution of the executive-bureaucratic arena over the three decades since 1960, the theoretical issues involved in organizational design and behaviour, and the practical context of administrative reform.

Beginning with the Glassco Royal Commission on Government Organization in the early 1960s, the study traces the functional delegation of authority from the centre of government to operating departments, experiments with geographical or spatial decentralization, the re-emergence of strong coordinating agencies for central control, and the most recent efforts to return to increased ministerial and departmental autonomy coupled with further administrative decentralization. The study points to the emergence of a new philosophy of management within the Government of Canada that emphasizes results, performance, and outcomes. It is suggested that this philosophy is crucial to a new design for dealing with the hard question that is posed by the centralization-decentralization conundrum. At the same time, it is recognized that the emergence of this new philosophy is only incipient. For it to have a genuine impact requires considerable change in attitudes and behaviour throughout the public service.

Critical to the development of a new philosophy of management is the design of the strategic apex of the cabinet decision-making system and the technostructure that supports it. This design is examined and the several stages through which it has passed over the past 25 years are outlined. The purpose of this examination is to point out the constitutional, political and policy reasons why the overall management of government is strongly oriented toward control and coordination from the centre. The study notes the degree to which there has been organizational learning that has led to a greater appreciation of the limits of centralized control and coordination. The result of this learning, in its most recent manifestation, is the present government's initiative to increase ministerial and departmental autonomy—the Increased Ministerial Authority and Accountability (IMAA) program.

According to the aims of this program, increased ministerial and departmental autonomy from central control and coordination should also entail administrative decentralization within the operating departments of the federal government. The study examines the organizational designs of operating departments with reference to the major patterns of structure found within the federal government. In particular, it looks at the ways in which departments have been organized for the purposes of delegating authority to regional offices and the relationships between regional officials and departmental headquarters.

There is considerable variation in the ways in which departments are organized in these respects. A government-wide plan or model for the organization of any given operating department does not exist. In a sense all departments are *sui generis*. There are also contradictory trends: some departments are decentralizing; others are centralizing. For the most part, however, there is a growing realization of the need to establish better horizontal linkages at the regional level, a realization that has moved organizations in the direction of decentralization. The study also finds a greater appreciation of the need to integrate regional officials into the departmental decision-making process at the centre, an appreciation that is based on the requirement for incorporating field intelligence and "soft data" in policy and program planning. This, too, has meant a shift in the direction of decentralization. Here, however, it is recognized that there must be a "tight-loose" fit between policy development and policy implementation wherein regional officials are involved in the former so that the latter is more than simply "operational management."

The several determinants of centralization and decentralization are also analyzed and assessed with regard to both central structures and operating departments on the one hand and between

the headquarters and regional offices of operating departments on the other. The determinants that are examined include environment, power, technology, culture and communications. The study seeks to show how these determinants can exert simultaneous pressures for both centralization and decentralization, and in doing so makes clear why this question is indeed a conundrum.

Finally, the study considers the principles, practices, and prospects for an effective resolution to this conundrum. Of the principles involved, the study shows that there can be a tight-loose fit between centralization and decentralization if the government wishes to be both responsive and responsible. In short, our principles of government do not necessarily dictate centralized decision making. Of current practices, the study concludes that there has been considerable movement away from the rigidities of centralized decision making and coordination. The movement is not all in one direction nor is it characterized in every respect by a desire to embrace a new philosophy of managerial autonomy. There is, nonetheless, sufficient experience to give weight to proposals to deregulate and decentralize further our federal government's administrative systems. Of the prospects for change, the study concludes that there are grounds for optimism. Experience has demonstrated that centralized planning and control have their limits and costs; that centralization and decentralization can be combined in new ways; and that policy and management are intimately related functions that should not be separated in terms of administrative structures. These lessons can provide the basis for improved public administration.



Abrégé

Au cours de ces dernières années, le gouvernement du Canada a fait de réels efforts pour parvenir à une meilleure déréglementation de l'encadrement administratif et à une meilleure décentralisation. Cette étude examine la portée de telles initiatives en les replaçant dans le contexte des progrès en gestion administrative survenus depuis trente ans, des théories qui se trouvent à la base de la conception et du fonctionnement du système organisationnel, et enfin de la réalisation pratique de la réforme administrative.

Partant des conclusions de la commission royale Glassco sur l'organisation gouvernementale du début des années soixante, l'étude fait l'historique de la délégation de pouvoir accordée aux services d'exécution par le gouvernement central; elle passe également en revue la question de la décentralisation géographique et spatiale, celle de la résurgence de puissants organismes pour la coordination centralisée et les efforts plus récents afin d'accroître l'autonomie des ministères et des services dans le cadre d'une décentralisation administrative accentuée. L'étude signale l'émergence, au sein du gouvernement du Canada, d'une nouvelle philosophie de la gestion, laquelle insiste sur la manière dont cette gestion s'effectue, sur ses résultats et ses conséquences. Cette philosophie serait indispensable pour résoudre d'une manière satisfaisante le problème d'un juste équilibre entre centralisation et décentralisation, mais il faut reconnaître toutefois qu'elle n'en est qu'à ses débuts. Elle ne pourra pas avoir d'influence véritable sans que survienne un changement

considérable dans les attitudes et le comportement des responsables de la fonction publique.

Le système décisionnel fondé sur la primauté stratégique du Cabinet et des structures techniques qui le complètent est de première importance et doit être pris en compte si l'on veut développer une nouvelle philosophie de la gestion, aussi fait-il l'objet d'une analyse approfondie dans son stade actuel et dans son évolution au cours des vingt-cinq dernières années. L'étude tente également de dégager les raisons constitutionnelles, politiques et de convenance qui font que la gestion gouvernementale en matière de contrôle et de coordination est si fortement centralisée. Elle indique ensuite que de meilleures connaissances en matière d'organisation permettent maintenant de mieux évaluer les limites du contrôle et de la coordination centralisés. Ceci a récemment permis au gouvernement de prendre l'initiative d'un retour à une plus grande autonomie en faveur des ministères et des services, et s'est traduit par la mise sur pied d'un programme pour une autorité et une responsabilité accrues au niveau ministériel.

Dans l'esprit de ce programme, une plus grande autonomie des ministères et des services, par rapport au gouvernement central, devrait aussi entraîner une décentralisation administrative dans le fonctionnement du gouvernement fédéral. Les structures organisationnelles des organismes d'exécution sont donc examinées en fonction des schémas d'organisation qui ont cours dans le gouvernement fédéral. Les moyens permettant, à l'intérieur des ministères, de déléguer les pouvoirs aux bureaux régionaux, sont particulièrement considérés, de même que les systèmes de relation existant entre les cadres régionaux et le siège du ministère.

De ce point de vue, il existe des variations considérables d'un ministère à l'autre. Il n'y a ni plan d'ensemble ni modèle d'organisation. Dans un sens, chaque ministère représente un cas particulier. On peut également relever des phénomènes contradictoires: certains ministères décentralisent, alors que d'autres, au contraire, centralisent. Il faut noter toutefois que, dans l'ensemble, le besoin se fait sentir d'établir de meilleures relations horizontales au niveau régional, et cette tendance pousse à la décentralisation. L'étude signale également une plus grande conscience de la nécessité d'intéresser les responsables régionaux aux processus décisionnels, et cela afin de pouvoir incorporer les données et le point de vue de la base à l'élaboration des politiques. A ce propos, l'étude recommande un rapport à la fois rigide et souple entre les deux phases de l'activité gouvernementale, à savoir l'élaboration des politiques et leur mise en oeuvre, de façon à permettre aux responsables régionaux de participer à la première de telle sorte que la deuxième ne leur paraisse plus simplement être une "gestion de l'exécution".

Les divers facteurs jouant en faveur de la centralisation ou de la décentralisation sont aussi analysés et évalués par rapport aux structures centrales et aux services de mise en application, d'une part, et aux relations entre les sièges des ministères et leurs bureaux régionaux, d'autre part. Les facteurs examinés comprennent l'environnement, le pouvoir, la technologie, la culture et les communications. L'étude essaie de montrer comment ces facteurs peuvent exercer leur influence à la fois sur la centralisation et la décentralisation, et ce faisant elle permet de comprendre pourquoi toute cette question est un véritable jeu de hasard.

Finalement, l'étude considère les principes, les pratiques et les projets qui permettront de trouver une solution à cette énigme. Du point de vue des principes, il semble qu'il puisse s'établir un système de relations à la fois rigide et souple entre la centralisation et la décentralisation, à condition toutefois que le gouvernement veuille bien être à la fois attentif et responsable. En bref, nos principes de gouvernement ne requièrent pas nécessairement la centralisation du pouvoir de décision. Du point de vue des pratiques courantes, la tendance actuelle est de se dégager d'un pouvoir décisionnel et d'une coordination trop centralisés. Le changement ne se fait cependant pas dans une seule direction, et on ne peut pas dire qu'il soit, dans tous les cas, influencé par le désir d'adopter une nouvelle philosophie relativement à l'autonomie de gestion. Il y a cependant assez d'éléments qui militent en faveur de la déréglementation et de la décentralisation pour continuer à modifier en ce sens les systèmes administratifs du gouvernement fédéral. Quant aux chances de parvenir à une réforme satisfaisante, l'étude conclut qu'il y a place pour l'optimisme. L'expérience a montré qu'une planification et un contrôle centralisés ont leurs limites et leurs coûts; que la centralisation et la décentralisation peuvent se combiner d'une nouvelle manière; que la conception des politiques et leur gestion sont des fonctions connexes qu'il n'y a pas lieu de séparer en termes de structures administratives. Ces découvertes peuvent servir de point de départ à une administration publique améliorée.

Introduction

During the 1984 election campaign the Progressive Conservative party issued a "background note" entitled "Towards Productive Management - The P.C. Approach."¹ It promised that a Conservative government would make "productive management... a top political priority... to create a management philosophy in government... a philosophy based on accountability, appropriate delegation of authority and the encouragement of creative and efficient management within the civil service."² The goal, it stated,

is to shift from reliance on regulations, controls and detailed procedures towards greater reliance on managers' competence and their achievement of results. Our goal is to simplify government - and to let managers manage.³

Immediately following the Conservative victory, the prime minister created the Ministerial Task Force on Program Review "to overhaul government programs so that they would be 'simpler, more understandable and more accessible to their clientele' and that decision-making should be 'decentralized as far as possible to those in direct contact with client groups.'"⁴

The twin themes of managerial freedom to manage and administrative decentralization advocated by the Conservative party, before and after it became the governing party, were hardly novel in the federal administrative experience. "Let the managers manage"

was the principal theme of the report of the Glassco Royal Commission on Government Organization 25 years ago, a report generally regarded as the major turning point in modern federal administration, given the deregulation of central controls over departmental management that followed.⁵ A decade later, the federal government took the unprecedented step of decentralizing the administration of a major department of government—the Department of Regional Economic Expansion.⁶

By the mid-1980s, nonetheless, deregulation of management and decentralization could still be put forward as reform proposals and initiatives. Although such reforms create few, if any, headlines, they are not inconsequential for the federal administration of national public affairs. In an age when the "administrative state" constitutes an important characteristic of governance, productive management and responsive decision making have become central issues in public administration. Indeed, if there is one overriding issue that cuts across the public administration of different political regimes—conservative and liberal, democratic and socialist—it is that of the design and operation of the administrative state as a complex bureaucratic organization. Almost everywhere, from Ottawa to Moscow and Washington to Paris, highly regulated and centralized structures and processes of public administration have been subject to plans or proposals to deregulate management and to decentralize administrative systems. At the heart of this global concern is the capacity of the modern state, as a complex organization, to respond effectively to turbulent environments on the one hand and to overcome as much as possible the rigidities and pathologies of bureaucratic structures on the other.

There is, of course, a certain sense in which a pendulum effect is in process here. States have centralized their organizational structures for particular purposes in the past but have done so in ways that produce a momentum that carries centralization and regulation too far; eventually, the process must be reversed, given the recognition of the unintended consequences of excessive centralization. This, in turn, sets in motion a drive to decentralize in order to achieve a new equilibrium. This process is then repeated but in the other direction. To many observers and participants this swinging of the pendulum provides a sufficient explanation of the phenomenon.

There is, to be sure, a certain validity to this interpretation. At the same time, there is more to the phenomenon than this. With each swing of the pendulum, new configurations of power are introduced. If an organization possesses the critical capacity to learn from its experiences then each change will result in the maintenance of some of the previous elements in these new configurations of centralized and decentralized power respectively.

There is also in this phenomenon an element of emulation as governments attempt to use private sector corporate models as a normative paradigm for public administration. Contemporary corporate experience, well publicized by a pronounced public interest in organizational design and management practices in business administration, has had a contagion effect on public administration as governments, of various political stripes, have attempted to become, or at least to be seen to be, more business-like in their operations.⁷ Increased managerial autonomy and decentralization have been central themes of the contemporary corporate paradigm and thus, in part, account for the increased interest of governments in pursuing these dimensions in organizational design and practice in the public sector.

There are, however, also specifically political and governmental factors involved in the plans and proposals for enhanced managerial freedom and decentralization in public administration. Politically there are increased demands for a more accountable administrative state. These demands take several forms but in almost all respects arise as a consequence of a growing recognition that the administrative state is one in which public administrators, the non-elected arm of the executive branch of government, have significant power, as distinct from authority, in the process of governance.⁸ A more accountable administrative state would acknowledge this fact not by attempts to rein in such informal power, through regulations and centralized controls, but rather by delegating authority to managers in as precise a manner as possible and then holding them accountable for its exercise. In this manner, the administrative state is acknowledged as a fact of political life in contemporary government but, at the same time, is to be subject to a more effective regime of accountability.

In terms of governance, managerial freedom and decentralization constitute a response to at least two realities. On the one hand, the fiscal restraints of modern states require that managers have greater flexibility in the use of expenditure resources precisely because relatively fewer resources are available to meet demands, while, at the same time, the central administrative capacity to process and make decisions on reallocations of such resources remains relatively the same. Restraint demands even more reallocation on the margins; if administrative (and political) decision making is to avoid immobilization then a greater degree of discretionary power lower down in the managerial system is necessary. In complex organizations, such as all but the smallest of governments, no amount of downsizing, expenditure cuts, or privatization entirely removes this necessity.

On the other hand, organizational responsiveness at times of environmental turbulence, when coupled with an environment characterized by a high degree of regional diversity in political systems of great size, demands organizational decentralization. In both unitary and federal states this feature of contemporary political environments has produced a marked *de jure* or *de facto* constitutional devolution of authority to lower levels of government: provincial/state, regional and municipal/local.⁹ At the same time, moreover, it has also led to actual or proposed schemes for administrative decentralization at each level of government, especially at the national level of governments given the greater regional diversity naturally encompassed at this highest level. In the case of administrative decentralization, the contemporary dynamics of political environments in which there is a high degree of regional diversity in the socioeconomic order are such that the capacities of the central structures and processes of the administrative state to plan, direct and monitor public policy and its implementation in an effective, efficient and economical manner are highly constrained.

The limits on centralized administrative structures and processes are a function of the size of the administrative state, as measured by the number of programs it undertakes, the financial and technical resources deployed, and the personnel involved, the array of governing instruments used to effect public policy in highly diverse fields of socioeconomic activity, and, finally, the considerable dispersal of administrative personnel throughout the territory of the modern state for the implementation of public policies. This final factor, the spatial dimensions of public administration, has become especially critical as governments have enlarged the scope of public services and regulations, many of which require the localized delivery of services and enforcement of regulations. This is particularly the case in those political systems where the actual implementation of national policies is not delegated to lower orders of governments or undertaken by way of non-governmental agencies. Advances in communications, information and transportation technologies have enhanced the administrative capacities of the "centre" of government to some degree. But they have not overcome the critical need for field intelligence in the design of policies and programs or the practical necessity for decision making on the spot in implementing policies and programs. Instead, they have increased the potential for information overload and thus organizational paralysis.

For all of the above reasons, in addition to those particular to the Canadian federal administrative experience, it is not surprising that in the present situation the Canadian government is confronted by the issues of managerial deregulation and administrative decentralization. This study is an attempt to place these issues in context — the

context of the Canadian administrative state as it has developed in recent decades, the theoretical context of organizational analysis and design, and finally the practical context of administration reform for improved governance. Our principal focus is administrative decentralization or more precisely, as our title indicates, the centralization-decentralization conundrum—the “hard question” of finding the appropriate balance between the two modes of organizational design. This balance is indeed not an easy one to establish in complex organizations, such as our federal administration. What is required is that “tight-loose” pattern of centralization-decentralization prescribed by administrative theory whereby there is tight or centralized direction and coordination over the major objectives which is then joined by loose or decentralized discretion and autonomy over the ways to achieve them.¹⁰ The former requires a high degree of consensus or shared values in regard to objectives; the latter demands faith or confidence in subordinates to act in ways that will see the realization of these objectives. It is, of course, one thing to state these prerequisites; it is quite another to meet them in practice. No organization can be successful in these regards, however, if there is not a basic commitment to a philosophy of management that prescribes that such a balance be struck and that appreciates the essential functions of management within complex organizations.

In the text that follows we examine the organizational structure of the federal administration from the perspective of the centralization-decentralization conundrum. We begin with an introductory analysis of this hard question by juxtaposing the traditional political approach to the regional diversity of Canada and the philosophy of management that has characterized federal public administration. In so doing we attempt to clarify a number of conceptual matters pertaining to administrative decentralization on the one hand and to a philosophy of management to support such decentralization on the other. We then consider the organizational design of the centre of federal administration: the structure and processes of the cabinet as a corporate executive and the mechanisms for central administrative direction and coordination. Our focus here is on the ways in which these structures and processes affect the centralization-decentralization of administrative systems throughout the government. Thirdly, we outline the basic features of departmental arrangements for the administration of public affairs, given that it is principally through departments that policies and programs are developed and implemented. In this regard we are especially concerned with the ways that departments are organized and managed at headquarters and in the field. Our fourth chapter constitutes an attempt to assess the several determinants of centralization-decentralization as found

in federal administration. Finally, in our conclusion, we consider the current principles and practices of the federal administration as they relate to the prospects for dealing with the centralization-decentralization conundrum.

In our view there is evidence to suggest that a new philosophy of management is emerging within the federal administration and that this has affected changes taking place in the design of both central and departmental structures and management systems. At the same time, however, we consider the articulation of this philosophy to be less than complete and support for it less than adequate. In part, we suggest, this arises from both a certain conceptual confusion and a continuing degree of distrust in administrative subordinates. As a consequence, increasing lip-service is given to the quest for administrative decentralization but the actual practice does not always result in the desired delegation of authority. In the federal administrative system, as in all complex organizations, the pull toward centralization is inherent; decentralization, on the other hand, requires conscious and continuing efforts to tilt the organization in ways that contain, even resist, the natural tendency to rein in power at the centre. In our view, such efforts are necessary at this time if the federal administration is to meet the challenge of governing Canada, that is, administering complex national public affairs in a large and regionally diverse political system.

Notes

1. Progressive Conservative Party of Canada, *Background Note #2, "Towards Productive Management,"* undated.
2. *Ibid.*, p. 1.
3. *Ibid.*, p. 2.
4. Canada, Task Force on Program Review, *An Introduction to the Process of Program Review* (Ottawa: Minister of Supply and Services, 1986), p. 1.
5. Canada, *Report of the Royal Commission on Government Organization* (Ottawa: Queen's Printer, 1962), hereafter referred to as Glassco commission (with all references to Volume 1). See also J.E. Hodgetts, *The Canadian Public Service*, (Toronto: University of Toronto Press, 1973).
6. See J.D. Love, "The continuing relevance of the DREE decentralization," *Canadian Public Administration*, Vol. 30,

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- No 3, Fall, 1987, pp. 432-449, and Donald Savoie, *Federal-Provincial Collaboration* (Montreal: McGill-Queen's University Press, 1981); and Donald Savoie, *Regional Economic Development* (Toronto: University of Toronto, 1986).
7. See J.E. Hodgetts, "Implicit Values in the Administration of Public Affairs," *Canadian Public Administration*, Vol. 25, No. 4, Winter, 1982, pp. 471-483. See also Canada, *Governing Values* (Ottawa: Minister of Supply and Services, 1987).
 8. See O.P. Dwivedi (ed.), *The Administrative State in Canada* (Toronto: University of Toronto Press, 1982).
 9. Richard Simeon, "Considerations on centralization and decentralization," *Canadian Public Administration*, Vol. 29, No. 3, Fall 1986, pp. 445-461.
 10. See Thomas J. Peters and Robert H. Waterman, *In Search of Excellence* (New York: Harper and Row, 1982), pp. 318-325.

Chapter I

Toward a New Philosophy of Management?

In its seminal report on federal public administration in 1962, the Glassco Royal Commission on Government Organization began its analysis by noting:

The most obvious feature of the Canadian setting is the size and regional diversity of the country. The effect of this diversity on the political process in Canada has long been recognized, but its relevance to the machinery of administration seems to have been largely overlooked. . . . While the centre of federal administration is in Ottawa, most action, as distinct from decision, takes place in the field, often thousands of miles away. . . . However, the organization and administrative processes of the entire public service have been shaped almost exclusively by the needs of the central apparatus for decision making.¹

Notwithstanding its observation to this effect, this commission, whose report is generally seen as a major turning point in federal public administration, as J. Douglas Love has pointed out,

never really came to grips with the possibility of using organizational structure as a means of giving federal departments a better appreciation of the country and an

increased capacity to deal effectively with its size and regional diversity.²

It was not until another decade had passed that the Government of Canada took the unprecedented initiative, in 1973, to decentralize a major department of government—the Department of Regional Economic Expansion (DREE). Since then the question of using organizational structure to cope with the size and regional diversity of Canada in the administration of public affairs has been a continuing subject of organizational design. Indeed, over the past 15 years, a number of organizational changes have been effected at several levels as federal governments have sought to find the appropriate ways in which to respond to the size and regional diversity of the federal jurisdiction. The most recent of these are best represented by the creation in 1987 of the Atlantic Canada Opportunities Agency (ACOA) and the Western Diversification Office (WDO).³ In these organizational innovations, and those that preceded them following the reorganization of DREE in 1973, the central issue has been that of decentralization.

Defining Centralization and Decentralization

Decentralization within the Government of Canada, as is the case within all complex organizations—public or private—is a subject fraught with conceptual and empirical ambiguities.⁴ At the heart of the issue is the distribution of authority and power in an organizational structure: we thus speak of organizations as being more or less centralized or decentralized in order to portray just where authority and power reside in a particular structure. In so doing we recognize that authority and power are both relational, that is, they involve relations between persons or organizational units in a larger system, and relative, that is, in complex organizations they are seldom, if ever, found exclusively at either end of the centralization-decentralization continuum, and especially not at the latter end. Furthermore, it is possible to find organizations in which the formal authority structure is at odds with the informal power structure, thus producing a dual structure with its obvious complications for management. Finally in most, if not all, complex organizations authority and power are also multifaceted, that is, distributed in an organization in ways that enable several persons or units to share in their exercise for different organizational purposes and specialized functions.

Centralization, as we use the term, refers to the concentration of authority and power at the centre. In the context of federal administration, the most extreme form of centralization is

represented in the unilateral exercise of the prerogative powers of the prime minister as chief executive officer. Decentralization refers to the delegation of authority and power to subordinates. In the most extreme case, this is represented by the delegation of discretionary authority and power to officials down in the bowels of the bureaucracy (which in government usually means out in the field). Centralization and decentralization, as the concentration or delegation of authority and power, thus involve the hierarchical relationships between superiors and subordinates; that is, all decentralization is effected by those in superior positions who delegate authority to those in subordinate positions. It should be stressed that within government these relationships may at times be beyond the control of the superior of subordinates, as when authority structures are prescribed either by the constitution itself or established by statute. The "rule of law" in government requires that formal authority structures be observed by both superiors and subordinates. Within our system of parliamentary government this condition obtains, although both in principle and in practice the executive-administrative branch of government is very much subject to the command of the prime minister and cabinet, and particularly the prime minister.

Decentralization in this sense ought not be confused with decentralization as a devolution of power within our federal system.⁵ The jurisdictional division of powers between the federal and provincial levels of government is established by constitutional decisions involving both levels of governments in ways that do not involve the federal government as the superior level of government with the provincial level as subordinate. The former does not delegate powers to the latter; powers vested with the latter are not subject to a unilateral federal government decision to rein them back in, so to speak. A decentralized federal system of government, in other words, is one in which there is a relatively significant degree of authority granted to the regional units of the federation; but these units are not subordinate to the national government.

Decentralization must also be distinguished from a geographical deconcentration of staff or organizational units from the centre to the field.⁶ Such a spatial dispersal of course may be required to effect decentralization, as it was, for example, in the case of DREE, or it may lead to decentralization, as has happened in the experience of the federal government.⁷ But in and of itself a deconcentrated organization need not be decentralized. In point of fact, the federal administration in Canada has long been a highly deconcentrated organization in total, and thus in regard to the majority of its organizational units—departments and agencies, without evincing much in the way of a decentralization of authority and power to officials in the field.⁸ Rather, as the Glassco commission observed,

decision making has been highly centralized in Ottawa, the centre. In short, it is not for lack of a geographical dispersal of officials or units that the federal administration took so long to come to grips, as Love put it, with the relevance of the size and regional diversity of Canada for the administration of national public affairs.

Politics, Principles and Power

Ironically perhaps, one of the major reasons for the failure to recognize the relevance of the size and regional diversity of Canada for the federal machinery of administration has been the practice of federal governments over the years to deal with this phenomenon primarily at the level of the political executive, that is cabinet, but in an informal manner.⁹ The cabinet, for instance, has always had to "represent" the regions of the country in terms of its composition, at least to the extent that the membership of the caucus of the governing party allows. With only a few exceptions, this representation has been informal in that it is neither officially nor primarily related to the structure or assignment of ministerial portfolios. This system of "regional ministers" within the cabinet has not involved a formalization of the responsibilities, let alone authority, of those who are assigned the lead role in representing their regions (variously defined) within the structures and processes of cabinet decision making. The result is that the formal design of cabinet, individual portfolios and thus the departmental system has been based largely, indeed almost entirely, on criteria related to executive functions and policy sectors rather than regional or spatial factors. The consequences is a dual structure of power and authority wherein the informal representation of regional interests has usually required, for its effective representation, a considerable degree of centralized decision making.

The political dynamic of regional representation has obviously served to promote within the executive branch of government a sensitivity to the regional diversity of Canada. But precisely because it has been perceived as essentially a political dynamic it has fostered a dichotomy between regional politics and administration in relation to organizational design and practice for federal public administration. This is the case even though the cabinet and its ministers are fully responsible for federal public administration. At least two developments have been the result. First, the administrative branch of government has not been well designed to serve ministers in their roles as regional representatives within government; rather it has been designed to serve ministers who are responsible for executive functions or policy sectors. Even highly deconcentrated departments with officials across all regions have

been structured and staffed primarily to undertake operations and not to provide policy or program advice based upon field intelligence or regional analysis. Second, there has been resistance to the idea that decentralization is required in order to cope with the exigencies of the size and regional diversity of the country. This resistance is based largely on the assumption that administrators should provide public services or enforce regulations according to "national" standards and policy criteria. They should not engage, therefore, in management practices that might produce regional variations or deviations from national norms. Only ministers, it follows, should respond to regional demands for differential treatment. It also follows, accordingly, that where national policy provides for discretion in the implementation of policy decisions these should be centralized as much as possible.

It is important to note that there have been many deviations from the above. The DREE experiment, beginning in 1973, provided one alternative to the traditional approach to federal public administration. Second, the position of regional ministers became somewhat formalized during this period and became even more so after 1982 when a new system of federal-provincial regional economic development agreements was initiated and a new structure of federal economic development coordinators (FEDCs) was put in place under the Ministry of State for Economic and Regional Development (MSERD).¹⁰ Most recently, there has been the creation in 1987 of the two new regional economic development portfolios and agencies previously noted, the Atlantic Canada Opportunities Agency and the Western Diversification Office, each headed by a regional minister.

The political dynamic of regional representation in cabinet and its attendant consequences for the organizational structures of executive decision making and administration have been altered in some ways by these more recent developments. At the same time, however, it also needs to be noted that organizational centralization has been a pronounced feature of federal public administration because of the constitutional *cum* political dynamic of responsible government. Under our system of parliamentary-cabinet government two principles have served to promote centralization. The first is the principle of collective ministerial responsibility, whereby ministers act as a corporate executive that is responsible and accountable to the House of Commons and thus must maintain its confidence in order to govern. This principle requires cabinet solidarity, a political necessity that serves to enforce a united front by ministers, regardless of the way in which government policy is made, in order to protect the ministry. Although the principle and the requirement do not dictate how a cabinet should be organized or operated it does tend to produce either a hierarchy of decision making or a collegial approach to decision making, which in either case reduces the autonomy of

individual ministers to act on their own. By definition, ministers are but part of a corporate ministry.

The corporate character of the cabinet is a centralizing force in federal administration to the degree that a government seeks to ensure that a high degree of public policy coordination and integration occurs in decision making and implementation and/or seeks to pursue corporate administrative policies that require adherence throughout the entire apparatus of the federal administration, that is, across all departments. Insofar as one or both of these objectives are pursued then the structures of decision making will be a centralizing force and invariably will be accompanied by central coordinating agencies. The federal experience since 1965 has been one of an increasing development of an institutionalized cabinet system for collective decision making and a proliferation of central agencies both to support this system as well as to enhance the corporate character of administrative policies.¹¹ Only recently have there been some signs of a slowing down or even reversal of this pattern. In 1984, for instance, John Turner, as prime minister, eliminated some parts of the executive machinery of government that had been put in place by the governments of Pierre Trudeau and Joe Clark and which he viewed as having "diffused and eroded and blurred" the responsibilities of ministers.¹² The government of Brian Mulroney immediately sought to further streamline the executive system.¹³ The Public Service Commission and the Treasury Board have each initiated administrative changes in order to reduce the burden of centralized controls over departmental management that have come about as the result of corporate administrative policies: the former by way of an "Administrative Reform" program and the latter by way of an undertaking entitled "Increased Ministerial Authority and Accountability (IMAA)," each of which is considered in subsequent chapters.

The second constitutional principle that has served to promote centralization is individual ministerial responsibility. This principle requires that individual ministers, as chief executive officers of their departments (or portfolios), be responsible for the implementation of public policies and thus be accountable to Parliament for the exercise of their authority. This includes the management of their departments, even though much of this is undertaken by way of both a *de jure* and a *de facto* delegation of authority to their departmental officials. Authority is delegated as a matter of design and practice but responsibility is not. The political dimension of this fact is the natural tendency of ministers, aided by their political staff and their senior departmental officials, to make every effort to protect themselves from what might be seen to be irresponsible action on the part of departmental managers. This tendency invites a centralization of

decision making, including the imposition of central controls and regulations, which serves to offset or undermine the authority that has been delegated for departmental management. To the extent that ministers, their political staff and even senior departmental officials do not trust departmental program managers, this tendency to protect the minister runs counter to the philosophy of management required for decentralization.

The 1973 DREE reorganization obviously reflected a philosophy of management conducive to administrative decentralization within a single portfolio and department. Although even the deputy minister who presided over this significant departure from the norm was at the time exceedingly cautious about this development as a precedent for other departments, it did offer a legitimate alternative for departments to consider.¹⁴ This was illustrated in the 1976 reorganization that created the Commission and Department of Employment and Immigration (CEIC) with a definitely decentralized structure by the standards of federal administration.

A second development was a decision taken by the federal cabinet in 1975 to institute a program to relocate administrative units from the National Capital Region, as well as from major metropolitan centres, to other communities across Canada. The objectives of this relocation and decentralization program were:

to locate the administration of federal programs in closer proximity to people directly affected by them; to lessen the concentration of federal public servants in the National Capital Region; to heighten the visibility of the federal government in particular areas; and to promote economic growth and reduce unemployment in particular parts of the country.¹⁵

The rationale for this program was essentially political in character. It was not, therefore, primarily focused on the question of organizational design of operating departments. It did serve to draw attention, however, to the extent to which the concentration of public service units and personnel in the federal capital contained room for deconcentration, that is, a dispersal of some additional parts of the public service from the capital. Deconcentration, nevertheless, is not synonymous with decentralization. As Kenneth Kernaghan observed:

Apart from such relocations as those of the Department of Veterans Affairs and the Farm Credit Corporation, relocations have required the transfer of few executive or senior management positions. Most of the positions have been in the scientific, professional, technical, adminis-

trative support and clerical categories. Moreover, a review of the responsibilities of the relocated units suggests that relatively little delegation of policy-making authority from headquarters to these units would be required.¹⁶

It would be a mistake, nonetheless, to ignore the degree to which deconcentration is and can be a factor in the decision to decentralize. Indeed, in the public sector where government services and regulations in most cases require or are most effectively provided and enforced by way of some degree of personal contact, deconcentration is closely connected to decentralization. This is the case when there is a perceived need for a departmental administrative structure in the field that can accommodate diverse regional circumstances and therefore needs some element of local discretion.

A third development took place in 1982 when DREE was abolished along with the Department of Industry, Trade and Commerce. A portion of each department's programs were reorganized into a new Department of Regional Industrial Expansion (DRIE), a department that continued the tradition of decentralization but not nearly to the same degree as was the case with DREE.¹⁷ At the same time major responsibility for regional economic development programs was transferred from DREE to a reorganized Ministry of State for Economic Development (MSED), renamed the Ministry of State for Economic and Regional Development (MSERD). Under this new ministry organization were created the position and offices of FEDCs in each province. This marked the first time that a central administrative agency (as distinct from an operating or line department) had officials, let alone senior officials, in the field. These FEDCs were assigned responsibility:

- to provide an improved regional information base for decision making by the cabinet committee on economic and regional development (CCERD), for use particularly in the development of regionally sensitive economic development strategies
- to give regional officials of sector departments a better understanding of the decisions and objectives of the cabinet
- to better coordinate the implementation of government decisions affecting economic development in the regions
- to develop regional economic development policies for consideration by cabinet¹⁸

In addition, moreover, this same reorganization included a directive to the effect that all departments in this policy sector were "to improve their regional capabilities and to build the regional dimension into their internal policy development and decision-making processes."¹⁹ The intent, in short, was to effect a more broadly based system of administrative deconcentration and decentralization across all departments as well as in the principal central agency in this policy sector. The death of DREE was to signal the emulation of its organizational structure by all those departments with which it had interacted in its efforts to produce a regional economic development policy. Its spirit was to live after its departure!

The spirit of DREE constituted a departure from the traditional philosophy of management precisely because it implied the delegation of authority to "general managers" down the line of the departmental hierarchy, thus integrating both programs as well as the several administrative dimensions of management. It also meant that the senior management committee of the deputy minister included senior regional officials, who of course reported directly to the deputy minister. The tight-loose balance, noted previously, was struck. At the same time, however, DREE, after its 1973 decentralization, was not, as Love has noted,

well synchronized with the rest of the federal government, which meant that its regional ADMs [assistant deputy ministers] and directors general, and many of its other senior people, had to spend a lot of time travelling to Ottawa for discussions with officials in other departments who had a capacity to interpret and influence policy.²⁰

Some progress has been made on this front over the past decade in terms of organizational changes in other departments, in addition to the creation of the offices of FEDCs in the 1982 reorganization noted above.

A fourth development occurred in 1987 when the Atlantic Canada Opportunities Agency and the Western Diversification Office were created. This development followed the 1984 elimination of MSERD as both a portfolio and central agency by the Turner government. The FEDC element of MSERD survived, however, and was transferred to the DRIE portfolio. After a period of uncertainty during which the new Conservative government examined the organizational options for regional development policy, ACOA and WDO were established. They constitute an organizational innovation in a number of respects. Each is headed by a regional minister, has a decentralized structure, based upon the four former FEDC offices in each region, and assumes the regional development responsibilities

formerly assigned to the DRIE portfolio. What remains of the DRIE portfolio is being joined to the Ministry of State for Science and Technology to form a new Department of Industry, Science and Technology (DIST). Both ACOA and WDO have also assumed the coordinating responsibilities of the FEDC system and, as well, have been assigned an advocacy function in regard to the articulation and presentation of regional interests in national policy development and implementation. This latter function indicates clearly their role in supporting their ministers as regional ministers. Finally, it should be noted that these two organizations are unprecedented in that they are "agencies" that are neither departments nor Crown corporations. They are under the authority and direction of their ministers as is the case with departments; but, on the other hand, they are similar to Crown corporations in that significant executive authority is vested in their senior executive officers beyond that given to deputy ministers in departments. As noted above, the design of these agencies is not merely regional in the sense that they are located and headquartered in the regions but that they are also highly decentralized for the purposes of program design and delivery.

Philosophy of Management

At a more general level there are also signs of the emergence of a new philosophy of management within the federal administration, a philosophy that in our view is crucial to administration decentralization. Its emergence is marked by some uncertainty and even perhaps contradictions but it represents a departure from the more traditional view of public administration. First and foremost in our view is the increasing recognition of "management" as the core element of public administration. This increased recognition represents an important conceptual and attitudinal change, albeit a relative one. It consists of an appreciation of the degree to which there is a significant difference between the management of programs, people and resources, or "organizational leadership" as Plumptre calls it,²¹ and the maintenance and enforcement of administrative systems, procedures and regulations. The former requires direction and discretion, communications and dialogue, and evaluation and assessment. The latter entails attention to structures and processes, rules and guidelines, and controls and surveillance. The distinction here is not so much between two styles of management but rather between higher order and lower order requirements, between what is necessary and what is sufficient for effective management. The latter is a necessary but not a sufficient condition for effective management; the former is also required.

At least three conceptual distinctions have served to undermine the development of the required philosophy of management in the federal administration. The three most relevant are the dichotomies of politics and administration, policy and administration, and administration and operations. We consider each of these in turn.

First, while due recognition is given to the authority of departmental ministers the tendency has been to treat the minister, the elected political master, as a temporary chief executive officer responsible primarily, if not exclusively, for policy direction. It follows then that the deputy minister becomes, as the Lambert commission characteristically put it, "the link between the permanent public service and its transient political leadership,"²² and under this interpretation the deputy minister is seen "as manager of a department of government."²³ A dichotomy between politics and administration/management is thus constructed on the dimension of tenure: the minister as transient and the public service as permanent.

In one sense this is the reality. The minister is temporary only in the long view of things (the eternal hope of frustrated bureaucrats!) and a minister's authority to appoint and dismiss staff is restricted officially to those who serve as political staff, that is, those who are exempt from the jurisdiction of the Public Service Commission. Even their deputies are not appointed by them; these are prime ministerial appointments, although individual ministers are sometimes, but certainly not always, consulted.

Except for these limitations, this notion of a politics-administration/management dichotomy serves to undermine, in our view, a proper perspective on the respective authority and responsibilities of ministers and public servants in the management of government departments. It does so precisely because it sets political objectives and decisions against administrative objectives and criteria as though politics was somehow an illegitimate and inappropriate intrusion into public administration. To the degree that this dichotomy is part and parcel of our thinking about public administration then, if nothing else, morale, motivation and communications in the public service are bound to be affected adversely. This is not to suggest that political, that is ministerial, objectives and decisions are inherently wise or well advised and necessarily in the public interest simply by virtue of their source. It is to suggest, nonetheless, that governing, that is the administration of public affairs, requires attention to values that are not only inherently broader in scope than a purely utilitarian conception of economy and efficiency but also extend to the means, as well as the ends, of public administration.

There is, to be certain, a partisan political dimension to governing that, by tradition, convention and, in some respects, law,

requires its separation from public administration. But to fail to distinguish between this particular dimension of partisan politics and the more general foundation of public administration in politics is to perpetuate a dichotomy that is perverse in its consequences. These consequences go far beyond the usual pathologies associated with large bureaucratically structured organizations to create deeply rooted suspicions and distrust between elected politicians and the permanent public service. To the extent that these attitudes become embedded in these relations, ministers will become overburdened with centralized decision making on the one hand and resort excessively to rules and regulations to control subordinates on the other. If organizational effectiveness requires a significant measure of delegation and discretion, as is the case with most departments of government, then ineffectiveness is the inevitable result.

A second theoretical confusion that too often pervades our thinking about the management of departments arises from a related dichotomy, that of a distinction between policy and management. Again we consider this not merely an academic issue. This dichotomy is manifested most clearly in discussions about the roles of deputy ministers.

It has long been accepted that deputy ministers must be involved in the policy development process as advisers to ministers, individually and collectively. As deputies to a minister, they are not merely to follow ministerial directives and then to issue directives to their subordinates. Not surprisingly, therefore, in response to a questionnaire put to deputy ministers by the Lambert commission as part of its research program, most deputies ministers ranked, as their responsibilities, "supporting my minister" and "ensuring that my department is responsive to the policy thrusts of the government" ahead of "assuring economy and efficiency in operations" and "managing my executive team."²⁴

The commission, using the policy-management dichotomy, was disturbed by this. The commission explained this "preoccupation with policy and the resulting lack of emphasis on management" in the following ways:

- the deputy has tended to devote more time to policy in order to maintain his competitive position with the minister [competitive, that is, with other sources of policy advice]
- there has been a commonly shared perception that the road to career advancement is in the policy advisory field
- many deputies still believe that policy skills are valued more highly than administrative skills and that administrative ability

is not given sufficient consideration in making deputy minister appointments

- that a deputy's concerns should reflect those of his minister is not surprising in view of the deputy's accountability to him²⁵

Although there is no doubt that some deputy ministers have been and are more interested in what is perceived to be the intellectually exciting and challenging role of advising ministers on policy and are less interested in the implementation of existing policies, including even those which they may have had some role in formulating, policy development is still an essential management function. To suggest otherwise is to imply that the setting of goals, objectives and plans is somehow distinct from their actual implementation. The commission admits that this interpretation is not accepted by deputies. It even goes on to conclude that "policy development and program implementation in departments must be complementary."²⁶ Moreover, it is very misleading to suggest that deputy ministers alone within their departments perform this policy development function, even if subordinate officials seldom, in some cases never, get to brief the minister or cabinet on such matters. Rather, a substantial number of officials are involved.

The management problem, to the extent that policy development tends to be a priority with deputy ministers to the detriment of their concern for the management of policy implementation, as the commission and others have suggested, derives from several other factors. Chief among them has been the too frequent rotation of deputy ministers and other senior officials in too many departments, where at best deputies attain a grasp on general policy issues and which inevitably lends itself to a centralizing of decision making. This centralizing occurs because these senior officials simply do not have the time to get to know their subordinates, especially those in the field, sufficiently well to delegate to them on the basis of trust and confidence. The delegation of authority required for good management in policy implementation, that is, program management, is thus inadequate. This practice of rotation can and has led to senior officials simply not paying sufficient attention to the monitoring of policy implementation, an essential function of those who delegate. They have either little incentive to do so if they assume their positions are in effect temporary or do not give them enough time to learn the intricacies of departmental programs and their management requirements. It is not surprising that both central agencies and their equivalents in departments have so often resorted to rules and regulations in attempt to ensure good management down in the bowels of the bureaucracy and out in the regions of the country.

A third and related factor that has served to undermine good management in government emanates from another distinction imposed upon organizational design and management practice in government. Again, the distinction would be merely academic were it not for its impact on public administration. This is the distinction between administration and operations as enunciated by the Glassco commission. In the commission's view:

This distinction between administration and operations is of particular importance to organizations. Administration is concerned with functions which must be performed at the directing centre of each department, regardless of its size, its programme responsibilities, or the geographic dispersion of its activities. The organization of operations, on the other hand, must be devised with precisely these considerations in mind. Unless operations are dispersed and operating responsibility delegated, administration may be diverted from their essential task by the intrusion of operational questions. Where operations involve dealings with the general public, dispersion and delegation will make departments more responsive to public needs.²⁷

In one sense this distinction between administration and operations is but another formulation of the policy-management dichotomy and in this sense need not be reconsidered. In another sense, however, it posits a difference in functions between those who manage a department and those who manage its operations. It does so by its reference to the former as those at the centre and the latter as those in the field. Insofar as this is not merely a matter of where persons are in the departmental hierarchy, it suggests that there are specialized functions of management, such as financial and personnel administration, that can be divorced or separated from the management of operations and thus centralized. This distinction, as much as, if not more than, either of the first two, has accounted for the significant degree of departmental centralization of management in the period following the Glassco commission recommendation. It did so notwithstanding the diminution of central agency controls previously noted and the increasing degree of functional differentiation or specialization at the centre of departmental management.

Each of these three distinctions or dichotomies has had its effects on departmental organization and management. As we will illustrate, they have had a special influence on the question of delegated authority in the portfolios of ministers responsible for operating departments.

The first point to be stressed in the design of departmental organization is that the minister is the chief executive officer. Under the minister the deputy minister is the chief administrative officer. But also under the minister is his or her chief political officer, or chief of staff as the position has recently come to be. This officer and those under him or her together collectively constitute the minister's "exempt" staff, so called because they are not appointed under the jurisdiction of the Public Service Commission but rather are appointed by the minister at his or her pleasure. They are not departmental officials. This differentiation of political and administrative officers has been the subject of some controversy in recent years as ministerial political staff have sought and have been used by ministers to perform functions more directly related to policy development and program design. In so doing they have gone beyond the more narrowly partisan roles of simply providing personal support services to ministers in their partisan capacities as elected officials with electoral constituencies to represent in government. They have also been used increasingly to liaise with numerous other political officials, in the PMO and in other ministers' offices, with backbench members of Parliament, especially on the government's side of the House, and with those interest groups which form the policy constituency of the minister's portfolio. And, they have increasingly been used, along with departmental officials seconded to the minister's office and with outside consultants, to give policy advice to the minister, including evaluation of the advice emanating from the minister's departmental officials.

In all of these latter respects, that is in relation to policy advice, these officials are clearly staff. They have no authority in their own right and, in particular, they have no line authority over departmental management. They function solely as advisers to their minister. As is always the case when an organization is structured so that some officials occupy purely staff roles, there are built-in tensions between such staff and those who exercise delegated management responsibilities below the chief executive officer. In government this tension has been and is exacerbated by the conceptual distinction between politics and administration. In the late 1960s, after some considerable expansion in the use of such political assistants, J.R. Mallory accurately portrayed the view of those, including many public servants, who regarded this development as an erosion of good government. Mallory stated: "Not only do these functionaries wield great power because they control access to the Minister and can speak in his name, but they may wield this power with ludicrous ineptitude and in ways that are clearly tainted with political motives." They "lack," he argued, "the training and professional standards of the civil service."²⁸

Notwithstanding this view of political staff, or perhaps because of it, there have been efforts to upgrade the quality and professionalism of those appointed to these positions. Although the record has been a mixed one in this regard, ministers have been insistent on the need for such staff and indeed the Mulroney government has elevated the position of ministerial chief of staff in terms of the remuneration authorized for these positions. This paralleled the same government's expansion of prime ministerial political staff in the PMO and its role in providing policy advice (although, ironically, the prime minister was forced, two years into his tenure, to second a permanent public servant as his chief of staff to overcome the ineptitude of his own staff!). Moreover, and equally significant, there has emerged a more sophisticated understanding of the need for political staff.

This is perhaps most clearly expressed by Gordon Osbaldeston, a former deputy minister and clerk of the Privy Council/secretary to Cabinet, who has argued that: "If we are to retain an apolitical Public Service then we must have a competent political arm of government. Otherwise, the temptation to politicize the Public Service will be irresistible."²⁹ He approvingly quotes an unidentified minister, "a student of government administration," who said: "The bureaucratic process for managing government business is not the problem. The problem is that we have no comparable political process."³⁰ The proper functions of a political adviser, according to Osbaldeston, include:

- political advice to his minister on departmental proposals and on the political direction the minister might set for the department
- briefs to the minister on political perspectives relating to agenda items in the cabinet decision-making process
- liaison with party policy machinery including follow-up to party resolutions
- liaison with the caucus on policy questions, including ministerial briefings for caucus meetings
- liaison with provincial parties on policy matters
- policy advice on major communication issues, such as press briefs, press releases and speeches
- representing or accompanying the minister at meetings with interest groups to discuss policy matters

- liaison with PMO and other ministerial political advisers³¹

He goes on to say, however, that "working relationships between departmental officials and political advisers are difficult to establish."³²

The difficulty to which Osbaldeston refers stems from the fact that departmental officials have policy advisory functions to perform as well. In the performance of these functions, however, departmental officials, especially but not exclusively the deputy minister, are expected to be apolitical. This has always been, or at the least has come to be, interpreted to mean non-partisan, but not that departmental officials ignore or be insensitive to the political implications of their policy advice in terms of the potential effects of the policies and programs under consideration. As a result, of course, this means that ministers receive policy advice from two sets of staff—their political advisers and their departmental advisers. It also means that these staff and the minister must relate to one another; to do so effectively they must understand their respective, albeit related, roles and responsibilities. To the extent that these relationships are viewed, by one or more of the three parties, as constituting a division of labour along the lines of the politics-administration dichotomy, as opposed to a distinction between partisan politics and the political character of public policy, then the difficulty raised by Osbaldeston will give rise to two solitudes, all to the detriment of good government.

We recognize, finally, that these relationships are very much a function of personalities and their competence. Thus the issue here is not solely a question of whether the parties involved have been properly schooled in the theory of public administration. It is also complicated by the fact that changeovers in personnel—ministers, political staff and departmental officials—are frequent in government, even without changes in the governing party. Traditions, therefore, are crucial. The culture of an organization is a determining factor in how roles are defined and performed. On this ground, we argue, along with others, that there is a need for an improvement in this critical dimension of departmental management.

The second point to be emphasized is that the deputy minister is not the only departmental official involved in the policy advisory functions of the department. Given the hierarchical structure that characterizes all government departments in terms of delegated authority and accountability, the deputy minister's position is clearly that of a superior to all departmental officials. But just as the minister cannot direct and manage on his or her own, so too a deputy minister must delegate authority and responsibility. Indeed, all of the fundamental organizational issues faced by the government in

organizing the superstructure of the entire governmental system are faced by the deputy minister in organizing a department. Deputy ministers head organizations that are complex not only because of their diverse policy and program responsibilities but also because these organizations are responsible for policy development, program design and the establishment of coordination and control systems for their program delivery systems. In this sense, departments are "whole" organizations and must be structured as whole organizations.

Reform and Accountable Management

As argued at the outset of this discussion, our view is that one can discern in the Canadian public service the emergence of a new philosophy of management, a philosophy that does in fact represent an important reordering of ideals with respect to the essential conditions of effective administration. We noted that this is seen in the recognition of management as the core element of public administration. In part, this recognition has emerged as a reaction to the degree to which governments, as constituted by elected politicians, have sought to secure policy advice independent from that rendered by the public service. Simultaneously, the consolidation of growth in government, as measured especially by expenditures, staff and programs, has served to place a higher political priority on efficiency and economy in the administration of government—a priority that derives in some large measure from a major intellectual change in our understanding of the limitations of state intervention in socio-economic affairs that is not confined simply to conservative circles.

Efficiency and economy, however, are not the only criteria inherent in this new conception of management. Were they to be so, we would admit that in fact this conception amounted to little more than a redefinition of public administration based primarily on a business administration or private sector management paradigm. In our view such a limited redefinition would restrict our understanding and hence philosophy of public administration by the exclusion of a concern for public policy as the business of government—a concern which would then be addressed exclusively by the political arm of government. Rather, we see this concern as central to this new conception of management but in a way that is addressed both more clearly and appropriately than it has been in our tradition. This is illustrated by the emergence of an explicit focus *within* management on the effectiveness of public policy and the instruments used to achieve policy that goes beyond the criteria of efficiency and economy. This is expressed in a number of different ways, with varying shades of meaning, but essentially boils down to a concern with results, performance and outcomes. Associated with this concern, accordingly,

is the question of measurement, management information and evaluation related to objectives and plans.

In a certain sense much of this is not new, except perhaps for the language or jargon used as public servants respond to the fads and fashions of the day. To suggest that this is essentially the case, however, is to miss what we consider to be a major change, if only relative in degree, in attitudes within the public service. This change in attitudes has occurred, to be certain, in response to external stimuli, even threats, from the environment of the public service, most notably perhaps the auditor general, the business community, royal commissions and task forces, and, not least, the political sector—ministers and Parliament. To the degree that this is the case, then a certain amount of the attitudinal change is no doubt superficial because it constitutes merely a defensive reaction and thus will persist only so long as environmental pressures are present. But much of the change is internal as well. It derives from the increasing recognition by public servants of the critical functions of management, and of the fact that these functions are in the largest measure to be performed by public servants if they are to be performed at all.

The fact that the measurement and assessment of results, performance and outcomes of public policies and programs is an exceedingly difficult, and at times even an impossible, task does not detract from the importance of this change in attitudes. Many proponents of performance measurement, management information systems and program evaluation have blundered into public administration, exaggerated the capacities of their methodologies, technologies and techniques in the evangelical fashion of all management gurus, and in the process produced a considerable, but not altogether unhealthy, skepticism in many quarters. The fundamental requisites of management in these regards have not been ignored, however, by those public servants who are cognizant of the need for and yet limitations of these tasks of management. Modest efforts at reform, rather than rejection of any change as a result of complete skepticism, have been their response. Equally important, moreover, there can now be detected a growing realization that although more effective means are required, the system can no longer cope, if it ever could, with service-wide innovations that are simply imposed top-down by administrative fiat. The Treasury Board's IMAA program and the Public Service Commission's Administrative Reform program best illustrate this realization: in theory, at least, the initiatives are to come from departments and are to be negotiated by the central agencies and individual departments.

In suggesting that a new philosophy of management is emerging within the public service we do not mean to imply that all elements of

it have been equally developed nor that there are no conceptual problems with it. There are areas where much "groping" is clearly in evidence. This is perhaps especially the case with respect to the issue of accountability. It is here that one finds much confusion and no little concern. Two aspects are critical.

First is the confusion over management accountability and ministerial responsibility. What does the former mean in the context of the latter? If public servants are to be accountable, then to whom are they held accountable – ministers or Parliament or both? And, for what are they to be held accountable? The crux of this issue is at the heart of the political-bureaucratic interface, between the elected representatives who constitute Parliament and the cabinet, and the appointed officials who constitute the public service. As such, the issue has generally been discussed in terms of the relationship between ministers and deputy ministers, with the latter accountable to the former (encompassing the departmental minister, the prime minister who appoints them, and the Treasury Board as the corporate manager), and the former accountable individually to the prime minister and cabinet, and individually and collectively to Parliament, that is, the House of Commons.

In recent years, there have been suggestions that deputy ministers should be accountable to Parliament as well. The Lambert commission's report contained perhaps the most explicit suggestion of this. The commission regarded itself as "closing the loop" in its recommendation that deputy ministers be accountable to Parliament. This had not been done following the Glassco commission's reforms because, as the Lambert commission explained,

The Glassco Report recognized the need for the increased delegation of authority to individual departments and agencies to be matched by a comparable degree of accountability. Unfortunately, the commission provided no clear direction as to how such accountability should be rendered within government, perhaps because it considered itself barred by its terms of reference from recommending an accountability framework that would extend from government to Parliament.³³

The Lambert commission thus recommended that:

the deputy minister as chief administrative officer account for his performance of specific delegated or assigned duties before the parliamentary committees responsible for the scrutiny of government expenditures, the Public Accounts Committee.³⁴

The specific duties in question "would include responsibilities relating to the probity and legality of expenditures, the economy and efficiency with which programs are run, and their effectiveness in achieving policy goals."³⁵ It went on to say that this "would exclude questions of the appropriateness of policy objectives and the programs selected to achieve them; these are the preserve of ministers, individually and collectively."³⁶

The Lambert commission's recommendations to maintain the doctrine of ministerial responsibility and yet allow for a greater delegation of management authority by way of an accountability framework for the exercise of delegated management authority, have not yet resulted in a departure from Canadian traditional practice.³⁷ To the degree that an accountability framework extending from the public service to Parliament is considered an essential component of not only a greater delegation of management authority but also a new philosophy of management then the perpetuation of the Canadian tradition can be considered a serious blow to the development of each. In our view, however, neither requires that deputy ministers be made accountable to Parliament.³⁸

It may make good sense to have deputy ministers give an account to Parliament, in the forum of the public accounts committee, for their specific duties in regard to the "probity and legality of expenditures," as is the case in Britain, insofar as these duties are and can be laid down in statutes. Extending this accountability to "the economy and efficiency with which programs are run, and their effectiveness in achieving policy goals," however, invites a blurring of ministerial and administrative responsibilities that cannot but serve to diminish ministerial accountability for policy and management. The minister is the chief executive office of a department and any delegation of management authority for the management of policies and programs is a delegation from the minister and not from Parliament. Accountability for the same, accordingly, should be to the minister, as the delegator, and only to the minister. As delegator, the minister must assume ultimate responsibility and thus above all be accountable to Parliament.

Perhaps of even greater significance to a philosophy of management that posits the importance of delegated management authority, any scheme that would make deputy ministers accountable to Parliament for the economy, efficiency and effectiveness of programs would inevitably (and quickly) lead to a management structure and process centralized to the level of the deputy minister in order to protect the deputy. In short, the political forces that now have served to centralize power around the minister would operate at a second, but equally centralized, level. Indeed, given that deputies would be less

able than ministers to defend themselves either in Parliament or in public, the result might very well be even more centralization in the management of departments. An accountability framework of this sort would thus be perverse in its consequences for a new philosophy of management.³⁹

The second major aspect of accountability about which there is some considerable uncertainty centres on the question of measurement, that is, the measurement of economy, efficiency and effectiveness of programs and their management and thus ultimately of the performance of the manager. In principle, one should be held accountable for the exercise of one's authority in regard to that for which one is responsible. When an individual is responsible for specific duties, and possesses the requisite authority to perform them, then an account of the performance of the same can be rendered and assessed in a reasonable and meaningful manner by a superior or an external body. However, when duties are expressed in general terms, as in the case of the economy, efficiency and effectiveness of programs and their management, then both an accounting and an assessment of the same include a major element of judgment, even if the judgment is provided on the basis of professional expertise, as in the case of an auditor, comptroller or program evaluator. In this case it matters little whether the account is assessed internally or externally. Moreover, when either authority or responsibility or both are shared across or throughout an organization, as is often the case in government given the interdependencies between policies and programs as well as management controls, this art of judgment is further complicated.⁴⁰

These limitations have been acknowledged, at least in part, by those who have viewed accountability as central to the delegation of management authority, especially with regard to the second dimension. Hence the Lambert commission, for example, recommends that:

- deputy heads of all departments assure that their organizational structures clearly reflect that responsibility centres are directly related to programs, activities or sub-activities that can be identified with particular resources and, where possible, with specific measurement outputs
- such responsibility centres be under the control of managers who can be accountable for establishing plans and achieving results
- the Board of Management require the deputy to ensure that goals are set for each manager reporting directly to him, that goals focus attention on the most important problems and

priorities in the manager's area of responsibility, and that they provide an objective basis for measuring that manager's performance⁴¹

As a philosophy of management these prescriptions make good sense in principle. In practice, however, they are a guide to good management only insofar as their limitations are fully recognized—not as an excuse for poor management but in order to avoid the generation of false or unrealistic expectations. The establishment of measurement criteria or systems ought not to undermine the actual pursuit of good management by tying up managers in a web of organizational mechanisms for the coordination and control of managerial discretion all in the name of accountable management. In our view, accountability will constitute the Achilles heel of a new philosophy of management, if measurement is not regarded as essentially a matter of professional judgment to be exercised by administrators within the context of public sector management. The accountability of managers, especially deputy ministers, to the political executive is not of a different order although clearly the criteria used in assessment will include, as it should, some element of political judgment. Finally, the accountability of ministers themselves is and always will be based on the political judgment of the prime minister and Parliament and, ultimately, the electorate.

Summary

We discern a new philosophy of management emerging within the federal government. There is an important sense in which this philosophy has evolved gradually, especially from the period of administrative reform initiated by the Glassco commission. But this evolution has not been without its reversals or discontinuities. At times it has produced or at least threatened to result in what one participant-observer has described as "a saturation psychosis," whereby, in the operating core of government, "we may be asking managers to invest too much of their time on implementing new techniques, leaving them insufficient time to operate the activities with which they have been charged."⁴² At other times, however, it has resulted in advances toward a more "workable rationality."⁴³ Even the office of the auditor general, which over the past decade and more has assumed the role of chief critic of the general management of the government, has proclaimed an improvement not only in practice but in philosophy.

It would be misleading to imply that any one factor constitutes the principal determinant of change in regard to this emergent philosophy. At the same time, however, it is clear that restraint in

government, especially on the expenditure side, has served over the past few years to focus the mind. When this phenomenon is added to the continuing complexity and diversity of government operations, the movement to a greater delegation of management authority requires a more explicit philosophy of management such as is represented in the Administrative Reform program of the Public Service Commission and the IMAA initiative of the Treasury Board.

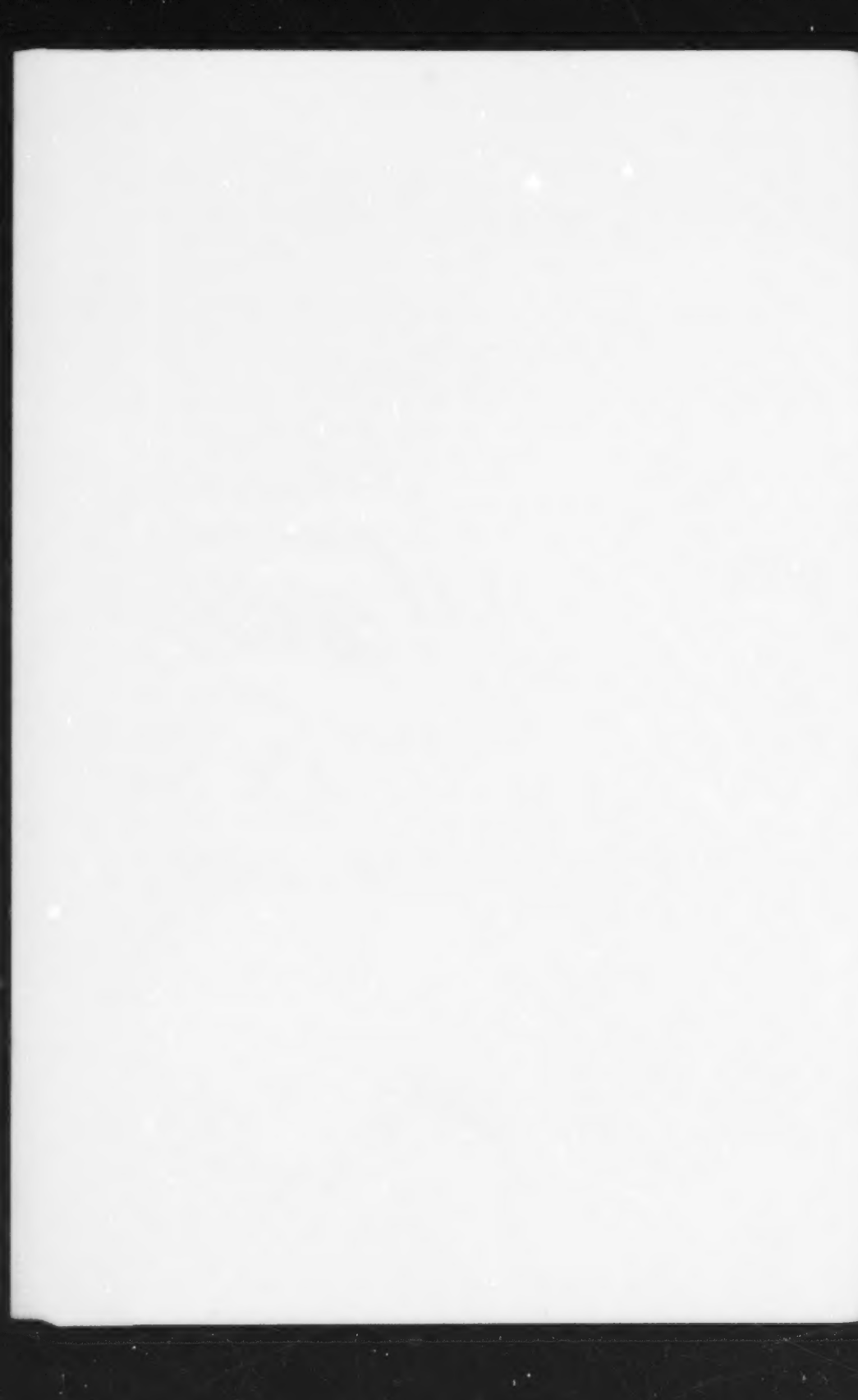
Notes

1. "Glassco commission," p. 26-27.
2. Love, "The continuing relevance of the DREE decentralization," p. 433.
3. These agencies were in the process of being organized at the time of our writing. In addition to ACOA and WDO, an organization for Northern Ontario was also being created. In this report we focus on the former two agencies as representative of what is seen to be the gradual emergence of a series of regional development agencies.
4. For an excellent conceptual account of these ambiguities, see Henry Mintzberg, *The Structuring of Organizations* (Englewood Cliffs, N.J.: Prentice-Hall, 1979), Chapter 11.
5. See Simeon, "Considerations on Centralization and Decentralization."
6. Kenneth Kernaghan, "Representative and Responsive Bureaucracy: Implications for Canadian Regionalism," in Peter Aucoin (ed.), *Regional Responsiveness and the National Administrative State* (Toronto: University of Toronto Press, 1985), pp. 1-50.
7. See, for example, the case of the Department of Revenue Canada-Taxation, Herve Diguier, "A Case for Decentralization," a paper presented to the Institute of Public Administration of Canada, St. John's, Nfld., August 28, 1985.
8. See Paul Brown, "Decentralization and the administrative ecology of the national state in Canada," *International Review of Administrative Sciences*, Vol. 53, 1987, pp. 545-558.

9. See Herman Bakvis, "Regional Ministers, National Policy and the Administrative State," a paper presented to the Canadian Political Science Association, Winnipeg, 1986.
10. Peter Aucoin and Herman Bakvis, "Regional Responsiveness and Government Organization: The Case of Regional Economic Development Policy in Canada," in Aucoin (ed.), *Regional Responsiveness and the National Administrative State*, pp. 51-118.
11. See J. Stefan Dupré, "Reflections on the Workability of Executive Federalism," in Richard Simeon (ed.), *Intergovernmental Relations* (Toronto: University of Toronto Press, 1985), pp. 1-32; Richard French, *How Ottawa Decides* (Toronto: James Lorimer and Company, 1980); and G. Bruce Doern, "The Cabinet and Central Agencies," in G. Bruce Doern and Peter Aucoin (eds.), *Public Policy in Canada* (Toronto: Macmillan, 1979), pp. 27-61.
12. Office of the Prime Minister, Ottawa, Canada, *Release*, September 17, 1984.
13. See Ian D. Clark, "Recent Changes in the Cabinet Decision-Making System in Ottawa," *Canadian Public Administration*, Vol. 28, No. 2, 1985, pp. 185-201; and Peter Aucoin, "Organizational Change in the Machinery of Canadian Government: From Rational Management to Brokerage Politics," *Canadian Journal of Political Science*, Vol. XIX, No. 1, March 1986, pp. 3-27.
14. See Love, "The Continuing Relevance of the DREE Decentralization."
15. Kernaghan, "Representative and Responsive Bureaucracy," p. 36.
16. *Ibid.*, p. 38.
17. G. Bruce Doern, "The political administration of government reorganization: the merger of DREE and ITC," *Canadian Public Administration*, Vol. 30, No. 1, Spring, 1987, pp. 34-56; and Donald Savoie, "The Toppling of DREE and Prospects for Regional Economic Development," in Savoie (ed.), *The Canadian Economy: A Regional Perspective* (Toronto: Methuen, 1986), pp. 269-284.

18. Office of the Prime Minister, Ottawa, Canada, *Press Release*, January 12, 1982.
19. *Ibid.*
20. Love, "The Continuing Relevance of the DREE Decentralization," p. 443.
21. Timothy Plumptre, "New Perspectives on the Role of the Deputy Minister," *Canadian Public Administration*, Vol. 30, No. 3, Fall 1987, pp. 376-398.
22. Canada, Royal Commission on Financial Management and Accountability, *Final Report* (Ottawa: Minister of Supply and Services Canada, 1979), p. 176. Hereafter referred to as Lambert commission.
23. *Ibid.*, p. 185.
24. *Ibid.*, p. 177.
25. *Ibid.*, pp. 177-178.
26. *Ibid.*, p. 179.
27. Glassco commission, p. 12.
28. J.R. Mallory, "The Minister's Office Staff: An Unreformed Part of the Public Service," *Canadian Public Administration*, Volume 10, March 1967, p. 27.
29. Gordon Osbaldeston, "The Public Servant and Politics," *Policy Options*, Volume 8, Number 1, January 1987, p. 6.
30. *Ibid.*
31. *Ibid.*, pp. 6-7.
32. *Ibid.*, p. 7.
33. Lambert commission, p. 24.
34. *Ibid.*, p. 374.
35. *Ibid.*, pp. 374-375.

36. *Ibid.*, p. 375.
37. *Ibid.*, p. 181.
38. For a similar conclusion, see Gordon Osbaldeston, "How Deputies are Accountable," *Policy Options*, Vol. 8, No. 7, September 1987, pp. 10-13.
39. See Henry Mintzberg and Ian Jorgenson, "Emergent Strategy for Public Policy," *Canadian Public Administration*, Vol. 30, No. 2, Summer 1987, p. 229.
40. Sir Geoffrey Vickers, *The Art of Judgement* (London: Chapman and Hall, 1965).
41. Lambert Commission, Recommendations 11.1, 11.2 and 12.1.
42. H.L. Laframboise, "Administrative Reform in the Federal Public Service: Signs of a Saturation Psychosis," *Canadian Public Administration*, Vol. 14, No. 3, Fall 1971, p. 324.
43. Sandford F. Borins, "Ottawa's Expenditure 'Envelopes': Workable Rationality at Last?" in G. Bruce Doern (ed.), *How Ottawa Spends Your Tax Dollars* (Toronto: James Lorimer and Company, 1982), pp. 63-86.



Chapter II

Organizational Design for the Management of Government

In all organizations that, for reasons of complexity and diversity must provide for a significant degree of organizational division of labour, central direction and coordination are needed. From the outset the Government of Canada has been an organization of this kind. There have always been several departments of government just as there have been several ministers. Mechanisms for central direction and coordination were thus present at the start. In addition to the prime minister and the cabinet itself, for instance, the Treasury Board, a standing committee of the cabinet, was created in 1867. From the beginning the board has functioned as the committee of cabinet to coordinate the expenditure budget of the government, hence its title.

The expenditure budget of the government constituted the initial *raison d'être* of cabinet coordination even prior to responsible government. It remains today as one of the principal mechanisms for central direction and coordination. The growth of government and state intervention, as well as the resulting increase in organizational complexity, however, has increased the need for central direction and coordination. These have had the general consequence of enhancing the "corporate" structures of public administration as successive governments have sought to provide for better coordination and integration of the interdependencies between policies and programs, to coordinate and standardize the use of resources and administrative practices across government departments, and to coordinate and direct the provision of common services within government. The

result has been an increasing emphasis on collective decision making at the cabinet level, the design of more portfolios with corporate responsibilities, efforts to strengthen the general management responsibilities of the Treasury Board, and in the process the growth of the central agency apparatus of the federal administration. These developments have taken place since about 1965 and we cannot pretend to describe and analyze their organizational implications in full detail. It is sufficient for our purposes to provide a brief outline of the most important of these developments since the mid 1960s.

Cabinet as Strategic Apex

Among the most important changes since the mid 1960s have been those which have served to centralize decision making in the "strategic apex" of cabinet and its "technostructure" of central agencies.¹ This centralization of decision making occurred in response to three pressures. The first was the result of the increasing size of cabinets; the second, the increase in the volume of cabinet business; and the third, the perceived need to provide for a greater degree of collective decision making.² In some respects, the three were interrelated. The expanded role of government required an increase in the number of ministers to provide political direction; cabinet business expanded accordingly; and increased policy interdependency required more interaction between ministers to ensure policy consistency across an expanding number of portfolios.

The organizational changes involved in these developments encompassed structural alterations in the cabinet that have resulted in the design of a highly complex cabinet committee system. As it actually evolved this included the creation of (1) a system of committees responsible for the full range of policy sectors but with each committee given a specialized sector encompassing more than one portfolio, (2) a number of committees responsible for matters of specialized concern which cut across all portfolios, and (3) an executive committee for plans and priorities. The committees of the first kind, so-called sectoral or operational committees, have varied in their titles and scope over the years since the Pearson government first created them but have normally included committees for at least the economic, social and foreign affairs-defence policy sectors. Committees of the second kind, so-called horizontal or coordinating committees, have included the Treasury Board, and committees for legislation and house planning, federal-provincial relations, communications-public information, regulatory affairs and the like. Finally, the executive committee for plans and priorities has undergone a considerable evolution from being more or less a steering committee to being a full-fledged inner cabinet, with variations

depending upon the philosophy and style of the prime minister who chairs it.

This structure was meant to ensure that adequate attention be given to the overall priorities and plans of the prime minister and cabinet. It also was to enable ministers, in committees, to examine policy issues and proposals in greater detail than would be possible in a single forum. While the actual processes of cabinet decision making have varied from one regime to another and even within a single regime, the general effect of this more formalized structure has been to increase the degree to which ministers collectively discuss and deliberate on the business before them than was the case of cabinet in the years immediately preceding these changes (or than would have been the case without them). Accordingly, the proposals of individual ministers are subject, depending on their substance, to consideration in two or more cabinet committees.

In some large part, the design of this system, especially as it was put into full operation by the first Trudeau government, was to collectivize decision making in order to counter or offset the influence of departmental officials over their departmental minister. As Richard French has noted, it was Trudeau's "often expressed conviction that cabinet is less easily captured by the bureaucracy than are ministers operating independently."³ Not all ministers, to be sure, have been enthusiastic over the constraints on their initiatives and autonomy that this highly structured (or institutionalized) cabinet system imposes on them.⁴ Nor have they always appreciated the degree to which this system of collective decision making encourages their colleagues to intervene in their individual areas of responsibilities so as to have their own proposals serve the policy objectives of one or more other portfolios. These constraints and interventions, however, are but part of the intended design.

This design has not always produced the desired results of course. Powerful ministers do perform "end-runs" on the system by taking matters directly to the prime minister, the minister of finance, the priorities and planning committee, or the Treasury Board, as circumstances require, or, in some cases, simply taking action on their own. In recent years, that is, following the departure of Trudeau as prime minister in 1984, the system has been streamlined somewhat in its operations but the basic principle of collective decision making has remained. An attempt has been made, however, to reduce the volume of cabinet committee, especially Treasury Board, business. This attempt is part of the Increased Ministerial Authority and Accountability (IMAA) initiative but is clearly due as much to the perceived need simply to control administrative demands on the cabinet system, and thus on the time of ministers, as to a desire to delegate authority *per se*.

The increased priority given to the corporate dimension of cabinet decision making has not been confined to the design of the cabinet committee system or to the creation of a separate portfolio to head the Treasury Board as the general management committee of the government. In addition, it has also encompassed the increased assignment to individual ministers of corporate responsibilities for policy coordination. This has involved a wide range of designs. Among these have been the use of so-called ministers of state for "designated purposes,"⁵ such as Science and Technology and Urban Affairs (both now defunct) and, more importantly, Economic and Regional Development and Social Development, which for a short period functioned as chairmen of the cabinet committees for these policy sectors;⁶ secondly, the increased formalization of the roles of regional ministers in this decade especially, culminating in the assignment of regional ministers to head two new regionally focused economic development agencies—the Atlantic Canada Opportunities Agency and the Western Diversification Office; and, thirdly, the equally recent creation of a minister for regulatory affairs and privatization. There has also been an increase, although varying over time, in the assignment of a coordinating mandate, either by statute or prime ministerial directive, to portfolios that go beyond their primary mandate, such as was the case with the now defunct portfolio of Regional Economic Expansion which was to:

in cooperation with other departments, branches and agencies of the Government of Canada, formulate plans for the economic expansion and social adjustment of special areas; and with the approval of the Governor General-in-Council, provide for coordination of the implementation of those plans by departments, branches and agencies of the Government of Canada.⁷

All of the above developments are but expressions of the real and perceived needs to foster the collective decision-making dimensions of the corporate model. That each different kind of coordinating portfolio mechanism has experienced significant limitations ought not to be surprising. At the strategic apex of power in a collective decision-making system there is essentially only one mechanism of coordination—that which Mintzberg calls "mutual adjustment," a process whereby there is give and take between individuals, none of whom is fully subordinate to the other.⁸ At times, of course, the prime minister can act unilaterally in his capacity as chief executive officer and at other times will be required to resolve deadlocks. Moreover, there is always a pecking order in each cabinet based upon the status and powers of portfolios, their priority at different times given the

government's policy agenda, the personal capacities of individual ministers, and their influence with the prime minister. The possibility of prime ministerial intervention and the pecking order in the cabinet do affect the process of mutual adjustment; but they do not fundamentally alter its essential dynamic: negotiation and compromise are still the principal features of collective decision making. The limitations of these types of coordinating portfolios, accordingly, are inherent in the design of collective decision-making systems. The more that different mechanisms of coordination are used in such a system the more limited the effectiveness of each different initiative is likely to be. The aggregate weight or burden on the operating or line portfolios, however, is increased with each effort.

Central Agencies as Corporate Technostructure

The gradual enhancement of the collective decision making within the cabinet has not only served to centralize authority, but has also led to the expansion of the technostructure of central agencies that support the prime minister and cabinet as a corporate body. Among the first initiatives in this regard was the establishment of the Treasury Board secretariat (TBS) as a separate central agency, separate, that is, from the Department of Finance where it had been located when the minister of finance served as chair of the Treasury Board. The board's role in the preparation of the estimates or the annual expenditure budget was altered following the Glassco commission by the introduction of a new planning, programming and budgeting system (PPBS).⁹ This new system had two dimensions that served to enhance the power of its secretariat. First, for the system to work as a government-wide system the entire process had to be standardized; thus the power of the secretariat *vis-à-vis* departments was enhanced. Second, the system involved the setting of priorities and plans on behalf of the entire government by the cabinet committee for priorities and planning—priorities and plans which were then applied, and often interpreted, by the secretariat in its negotiations with officials in departments as the latter developed their estimates prior to their formal submission to the board itself. Although ministers retained the final say, individually and collectively, the capacity of the secretariat to give shape to the annual expenditure budget, particularly in its details, was not insignificant.

A similar kind of organizational growth in central agencies took place elsewhere as well. Under the Pearson and then especially the Trudeau governments, the political arm of government was strengthened with the expansion of the Prime Minister's Office.¹⁰ Although the influence of this office waxed and waned throughout much of the Trudeau period, it was more highly structured than it had

been and in general was more proactive. The Mulroney government has further enhanced the role and influence of this office although major changes, including ironically the appointment of a senior public servant as chief of staff, have been required to make it effective.¹¹ In addition, a recent development has seen the creation of a Deputy Prime Minister's Office, to serve the deputy prime minister who has now assumed the role of "general manager" of cabinet business. These developments have been undertaken because of the perception—most pronounced following a transition in governments—that ministers required additional support in the way of political advice if they are not to be either captured by their public service advisers or obstructed by the public bureaucracy in their efforts to pursue a different course of public policy. Such efforts inevitably lead, initially at least, to a more centralized policy process.

These most recent developments have also taken place because of the perceived need to counter the power of the prime minister's "public service department" and the cabinet's general secretariat—the Privy Council Office (PCO). Under the Pearson and especially the Trudeau governments, the influence of the PCO was strengthened considerably.¹² This was partly due to the creation of a cabinet committee system which required that the staff of the PCO both advise the chairpersons of these committees (except for the Treasury Board president) with respect to the priorities and plans of the cabinet in relation to the business before these committees and, in general, manage the flow of business in the system. The advisory role of PCO staff encompassed the straightforward briefing of chairpersons as well as, at times, actual assessments of the proposals before committees. The management role involved PCO staff in the obviously delicate function of designing and then enforcing the rules of the system as they applied to ministers and their departments. Because of the continual process of organizational change over the past two decades, the importance of the PCO was further enhanced in that the prime minister has the primary responsibility for the machinery of government.

Notwithstanding the importance of these functions, however, the PCO became as influential as it did under the Trudeau regime primarily because Prime Minister Trudeau's philosophy of leadership and style of management placed a high priority on this type of technostucture with its coordinating and control powers. As a consequence, the clerk of the Privy Council/secretary to Cabinet, the senior public servant in this agency and thus the prime minister's "deputy minister," assumed considerable importance. That the prime minister's philosophy and style are critical to the importance of this position, and of the PCO generally, was well illustrated when Brian

Mulroney came to power and there followed a relative but nevertheless real diminution in the power of this central agency.

The PCO itself has spawned other central agencies. The Federal-Provincial Relations Office, headed by a second secretary to the cabinet, was hived off from the PCO in the mid-1970s, although the two offices must of necessity work closely together. The PCO was also responsible for the conceptualization of the policy and expenditure management system (PEMS) introduced in the late 1970s and the creation of the ministries of state to serve the ministers of state and cabinet committees of economic development and social development respectively.¹³

These two ministries of state, MSED and MSSD, along with a similar agency (but without the ministry of state title) established in the Department of External Affairs to serve the cabinet committee for foreign and defence policy, were clearly central agencies, albeit for specialized policy sectors. PEMS gave these policy sector committees the authority both to approve policy and program proposals and, within the budgetary envelopes assigned to each of these committees, to allocate funds to approved programs. These central agencies thus functioned as "mini" or specialized PCOs and TBSs. However, because the philosophy underlying these changes also incorporated a desire to achieve a greater integration among the policies and programs in these sectors, these agencies were assigned an explicit mandate to develop a sectoral strategy and to use this to assess the proposals submitted by ministers. These assessments were prepared by ministry of state officials, assisted by the so-called mirror committees of deputy ministers, that is, a committee of deputy ministers of all departments in each policy sector chaired by the secretary (deputy minister) of these central agencies. This produced a result that significantly improved the quality of policy advice going to all ministers on each committee (a departure from PCO practice of briefing only chairpersons). But, at the same time, this was regarded by many ministers as excessive bureaucratic control over ministerial decision making.

John Turner's brief tenure in office was marked by the elimination of these specialized central agencies and their mirror committees of deputy ministers. The Mulroney government did not reinstitute either of them. The PCO, moreover, in assuming once again full responsibility for servicing cabinet committees, except for Treasury Board, has discontinued the practice of providing formal assessments of ministerial proposals. With the single exception of the committee of deputy ministers to advise the priorities and planning committee's sub-committee on trade, established to deal with the free trade initiative, there is no formal mechanism to bring together deputies to consider departments' policy proposals before their

submission to cabinet. The perceived benefits of this have been judged, for the present at least, to be outweighed by the costs of potential "conspiracies" among bureaucratic mandarins. The irony as well as the shortcoming in all this is that ministers are thus left without the collective advice of the most senior officials who are responsible for the management of government departments.

The evolution of the technostucture that serves the strategic apex of corporate decision making from the time of the Glassco commission's report to the present has witnessed the considerable expansion of central agencies in terms of their number, staff and roles. During this period the role and functions of the Department of Finance as a central agency actually diminished in three respects. First, of course, it lost control, although not all its influence, over the expenditure budget process to the Treasury Board and its secretariat. Second, a number of its other financial management and economic management functions were given to new or reorganized departments, such as National Revenue, Supply and Services, Industry, Regional Economic Expansion, Consumer and Corporate Affairs, and Manpower and Immigration. Third, it has had to share its once pre-eminent policy advisory role with the Privy Council office, the federal-provincial relations office, the ministry of state central agencies (especially MSERD), and, at times, the Prime Minister's Office. However, a combination of PEMS, fiscal restraint, the demise of MSERD, "neoconservatism," and more assertive leadership from both the occupants of the Finance portfolio as well as senior officials in the department, has served to bring this department back to a position of prominence and influence in the decision-making system.

This shift of influence in the technostucture itself began before the Trudeau government left office and has not been reversed by the Mulroney government, although at the outset it was tempered somewhat by the increased prominence of the PMO. It does illustrate, however, the degree to which the differentiation of the central agency technostucture has produced its own problems of coordination. The Glassco commission had sought to forestall these difficulties. It recommended that the Treasury Board secretariat be closely integrated with the PCO (indeed, that it be part of the PCO but with its own deputy minister), that its staff "be formed by the rotation of experienced administrators from departments," and that "the size of the Treasury Board staff... be held to a minimum." Together, the PCO and the TBS were to constitute a lean technostucture of policy advisers and administrative specialists of senior rank with "the emphasis being on experience and outstanding ability rather than numbers."¹⁴ For the greater part, these conditions have not been met.

The power exercised by the technostucture can become debilitating when it is itself subject to a high degree of structural

differentiation but lacks effective mechanisms for its own integration. When this occurs, such power can lead to organizational paralysis as the tendency is for central agencies to breed even more coordination. One or more steps removed from the responsibilities of departments, analysts in the technostructure are prone to search out and inevitably to find real or perceived areas where coordination appears absent. The greater the number of analysts, the more areas are found: a phenomenon that has led many managers to conclude, not entirely facetiously, that the only way to control the imposition of increased coordination by the technostructure is to reduce the number of analysts in it. Contemporary experience and theory in the realm of business administration attests to and prescribes this solution.¹⁵ As noted, this conforms exactly to the analysis and prescription of the Glassco commission. In the concluding section of this chapter we return to this issue.

The enhancement of the corporate or collective decision-making structures of the cabinet has also been extended to the general management functions of the executive. Two early developments were especially critical in this regard. On the one hand, the Glassco commission, although best remembered perhaps for its theme "Let the managers manage," and its recommendations to reduce the burden of central controls on departmental administration, was also concerned with what it called "the needs of central direction."¹⁶ Its conclusion in this regard was that with the exception of "the preparation of the budget" all the other functions of central direction or "wholly collectives concerns" were "in varying states of underdevelopment."¹⁷ To correct a major deficiency in this regard it recommended that the Treasury Board, which from its inception had been chaired by the minister of finance and served by a secretariat within the Department of Finance,

be strengthened by the appointment of a presiding minister with no departmental responsibilities, who would give day-to-day guidance to its staff, provide the initiative needed within the Board itself, and ensure that general considerations of good management find adequate expression within Cabinet on all matters to which they are relevant.¹⁸

This recommendation was subsequently accepted by the government and in 1966 the portfolio of president of the Treasury Board was created with a separate Treasury Board secretariat.

On the other hand, even before the above changes took place, the new Liberal government in 1963 moved to introduce a system of collective bargaining for the federal public service. In 1967 legislation

was enacted that established the Treasury Board as the employer for the purposes of collective bargaining and gave the board the authority in the personnel policy area, excepting staffing authority which remained with an independent agency – the Public Service Commission (PSC). Although this meant a "highly centralized system of collective bargaining," the changes put into effect, as Love noted, "a very substantial delegation to departments, from both Treasury Board and the Public Service Commission, of the authority to make specific decisions affecting staffing, classification, pay administration and many other aspects of personnel management."¹⁹ In a system characterized by the absence of "a strong managerial tradition" and a "paternalistic regime," these changes required a considerable effort "to augment, upgrade and generally strengthen the personnel management function, not only in the central agencies but in all departments of government."²⁰

The expansion of the role of the Treasury Board under these new arrangements had a major effect on the federal administrative system.²¹ Combined with the board's central role in the expenditure budgeting system, whereby it was also able to control the total number of positions in departmental programs as well as the number and classification of senior executive positions in departments, its new powers over personnel policy matters meant that it was able to plan the overall staffing needs of the government under the umbrella of "human resource management." In addition, it was responsible for general administrative policy, including policies governing the use of common services. In all of these respects, however, the intent in the changes of the mid-1960s was to effect, in line with the philosophy of management enunciated by the Glassco commission and the preparatory committee on collective bargaining, a significant deregulation of central controls and thus a decentralization of management authority to departments under central guidelines rather than regulations.

A decade after these reforms were introduced much change had taken place. The net result, however, was not only a gradual centralization of power at the centre but demands for even more central direction and standardization. In part, increased central direction occurred as the Treasury Board assumed further powers, for the official languages policy, for example. In part, it had resulted from restrictions imposed by the Treasury Board (and the Public Service Commission) on the use of delegated authority in the personnel area within departments, such that only certain personnel specialists rather than line managers could exercise the same. In part, it came about as a consequence of a perceived loss of financial management efficiency and control as the system attempted to cope with massive changes in personnel administration. And, more generally, the

system experienced a "saturation psychosis" as managers, it has been suggested, were asked "to invest too much of their time in implementing new techniques, leaving them insufficient time to operate the activities with which they have been charged."²² On the top of all this, of course, had been the significant expansion of government undertakings, the creation of new departments and programs, and much reorganization of the cabinet system and portfolio structures, as previously noted.

Notwithstanding the gradual strengthening of the central management role of the Treasury Board and the Public Service Commission, the conclusion reached in at least some quarters was, as Audrey Doerr put it, that decentralization had not been "balanced during the initial years of reform by effective coordination and monitoring efforts by central management."²³ A more aggressive auditor general thus had a field day in pointing to what he considered to be "laxity in the applications of guidelines and . . . deficiencies in the level of standards achieved in departmental program operations."²⁴

The eventual response to all this was creation of the Lambert Royal Commission on Financial Management and Accountability and the D'Avignon Special Committee on Personnel Management and the Merit Principle.²⁵ The Lambert commission, established in direct response to criticism of the auditor general, viewed itself in some respects as a commission that was meant to review the consequences of the Glassco commission reforms and to fill in the gaps left open either by the report of that commission or by the government's implementation of its recommendations. In doing so it echoed many of the criticisms made by the auditor general. It also proposed the strengthening of the centre, for what it called "the management of government." In response the federal government established the Office of the Comptroller General (OCG), headed by a comptroller general with deputy minister rank, under the authority of the Treasury Board and its president. As Doerr notes:

The significance of the creation of this office from the standpoint of central management cannot be overemphasized. The Glassco commission's reforms of decentralized financial management did not take.²⁶

The establishment of this office, and the transfer of responsibilities for financial administration and program evaluation to it from the Treasury Board secretariat, was meant to signify an increased emphasis on these two functions of management, at the centre and thus by extension in departments. It did so in the sense that, as Doerr puts it, it reinforced "the role of the board . . . as the central management body and, indeed, controller of departmental

administration."²⁷ At the same time, however, it diminished the authority and mandate of the TBS and its secretary, in their loss of these two responsibilities, and thus served to disperse the central management capacity rather than to strengthen it.

On personnel administration, both the Lambert commission, which despite its title also examined and reported on personnel administration, and the D'Avignon committee recommended that the Public Service Commission be stripped of its authority and operational responsibilities for staffing and appointments and that these be assigned to a reconstituted Treasury Board, to be called the Board of Management, which would then encompass the responsibility for all matters related to personnel management. The PSC, it was recommended, should be retained but only in its role as Parliament's agency for the audit of the merit principle in public service staffing policies and decisions. In short, the personnel function, including staffing, was to be integrated into the central executive and administrative apparatus for the management of government.

Notwithstanding these changes and recommendations, the system did not shift to a highly centralized approach. Although federal administration was becoming somewhat more complex with the introduction of PEMS and especially with the creation of ministers and ministries of state to manage this new system, a number of developments served to limit the forces of centralization. On the one hand, the OCG adopted an approach to its twofold responsibilities for financial administration and program evaluation designed "to help managers manage."²⁸ In the first instance it sought to improve practices by way of advice and guidance rather than the imposition of central controls; in the second it opted for program evaluations done by and for departments rather than by and for central management, again with assistance and guidelines. Although this approach may contain a certain element of standardization, and thus implicit control, it has not reverted to the pre-Glassco model or even to the early Treasury Board secretariat ambitions to assess efficiency and effectiveness centrally.

On the other hand, the Public Service Commission has retained its authority for staffing, contrary to the recommendations of the Lambert commission and the D'Avignon committee. The PSC did respond to these reports, however. While maintaining its control function through the administration of the appeals system and periodic audit of the staffing function in departments, it focused its attention on being more service oriented. By 1986, the commission had delegated full authority for all aspects of staffing in two thirds of appointments while retaining a major role in about one third of appointments through the recruitment and referral of candidates in

open competitions and the placement of persons with staffing priority. The commission also retained full authority for recruitment, promotion and interdepartmental redeployments in the Management Category.

The Management Category, which includes the most senior levels of the public service and represents approximately two per cent of the workforce, was established by the Treasury Board in 1981 to create a distinct management cadre as a strategy to improve managerial overall effectiveness and accountability. The Public Service Commission delegated to deputy heads the authority to redeploy members of the category in their own departments as long as there was no change in an individual's level.

Equally important, the commission initiated in 1984 an Administrative Reform program to strengthen and improve staffing within departments and to ensure that commission policies and practices support required improvements. As part of this exercise, the commission reviewed its delegation to departments and made a number of improvements to respond to their needs. Tailor-made instruments of delegation for each department have been used by the commission since 1979.²⁹

Working at Cross Purposes

It is perhaps one of the great ironies of our recent administrative history that the clearest public expression of the need to assess the pervasive influence of the central agency technostucture was to come from an institution that has been and has been seen to be a principal determinant in the expansion of centralized control and coordination in the federal public service, namely the Office of the Auditor General of Canada. In its report to the House of Commons for the 1983 fiscal year, an entire chapter was devoted to the subject, "Constraints to Productive Management in the Public Service."³⁰ This chapter, based upon extensive interviews with senior public servants, singled out "three constraints that in the public service particularly deflect attention from productive management."³¹ They were:

- the impact of political priorities on the achievement of productive management
- the many administrative and procedural constraints with which management is burdened
- the few incentives, but many disincentives, which influence productive management³²

Of these three constraints the second and third were clearly related to the functions of central agencies and common services departments and, by extension, equivalent groups within operating departments. As the report notes, "the extent and intensity of the frustration we encountered was striking."³³ "Conflicting demands," it points out, abound:

Treasury Board determines how departments budget, classify positions and organize functions. The Public Service Commission prescribes how managers will hire and promote staff. The Comptroller General sets guidelines for internal audit and evaluation. The Department of Supply and Services establishes procedures for making purchases. Public Works has responsibility for the acquisition and maintenance of accommodation. Departmental staff groups tell the manager how to plan, deal with personnel, administer regulations, keep accounts, measure performance. Audit groups check for weaknesses and make recommendations for change. Each of these groups has some authority to prescribe how managers should act, yet assumes little or no responsibility for the results of manager's actions, should they turn out to be unsatisfactory because of conflicting demands.³⁴

This litany of cross-pressures and controls was not unlike the concerns expressed by the Glassco commission; if anything, the list had expanded in the 20 years since the latter reported. And, like the Glassco commission, this report argued that: "Productive management is not likely to be brought about by control systems, regulations and standards. These can, at best, help to prevent outright 'bad' management. Productive management results to a large degree from the initiative of competent managers."³⁵

The report did note, however, that,

there are some managers who achieve program objectives and, at the same time, give satisfactory attention to economy and efficiency. They typically have an understanding of central agency operations, a solid knowledge of the department and a willingness to negotiate with staff groups and central agencies about adjusting constraints to suit operational needs.³⁶

In short, some managers are able to cope with the system if they have sufficient knowledge of it and the capacity either to work around it or to make it work for them — a compliment to the few exceptions perhaps

but hardly a positive evaluation of the design and operation of the management system itself.

At the time of this report, however, its authors were able to point to movement away from the philosophy and practice of central control, particularly on the part of the Treasury Board and the Public Service Commission. Comparative public and private sector management experiences, as studied by these authors, pointed in the same direction, namely a deregulation of central controls and especially a downsizing of technostuctures.

The chapter's reference to changes in the approach of the PSC were in reference to the Administrative Reform initiatives already noted. Its references to the Treasury Board pointed to the efforts of the board, through its secretariat and the OCG, to reduce the regulations that it imposes on departments and to help improve management practices in departments. These developments, beginning in the late 1970s, were given added impetus at the political level following the change in government in 1984.

The election campaign that preceded the change in government in 1984 witnessed, from a public service perspective, some implicit and some not so implicit "bureaucracy bashing." This was part of the "neoconservative" campaign agenda of the Conservative party. At the same time, however, this party, as noted, did issue (albeit at a very late stage) a background note, entitled "Towards Productive Management—The P.C. Approach."³⁷ This document, drawing largely on the 1983 report of the auditor general, promised, as previously quoted, that a Conservative government would make productive management a top political priority in order "to create a management philosophy in government... a philosophy based on accountability, appropriate delegation of authority and the encouragement of creative and efficient management within the civil service."³⁸ "Our goal," it stated,

is to shift from reliance on regulations, controls and detailed procedures towards greater reliance on managers' competence and their achievement of results. Our goal is to simplify government — and to let managers manage.³⁹

It also promised to challenge and review existing programs in order to achieve value for money.

In the aftermath of the Conservative victory, this second promise was immediately fulfilled. This took the form of an unprecedented review of all government programs under the direction of Deputy Prime Minister Erik Nielsen, who headed a special ministerial task force on program review, comprised of himself, the minister of finance and the minister of justice, and assisted by a private sector advisory

committee and 19 study teams composed equally of public servants seconded to this task force and private sector representatives. In all, over 200 people were involved in this review of almost 1,000 government programs.⁴⁰

This massive review was "in response to the government's concern about waste, duplication and red tape in federal departments and agencies"⁴¹ and in recognition of the fact that "there had never been an attempt to improve services and programs or realize efficiencies across the entire federal government in one concerted effort."⁴² Needless to say, this exercise was – and was perceived to be within the ranks of the public service – a major challenge to the policy and program legacy of over two decades of almost uninterrupted Liberal rule.

At the same time, however, the thrusts of the party's election campaign proposals concerning management were not entirely ignored. Indeed, in announcing the ministerial task force on program review, the prime minister stated that the task force was "to overhaul government programs so that they would be 'simpler, more understandable and more accessible to their clientele' and that decision making should be '**decentralized as far as possible to those in direct contact with client groups.**'"⁴³

This latter objective did not figure prominently in the numerous study team reports which constituted the published output of the ministerial task force. At the same time neither did languish it on the proverbial shelves of government. Rather, it emerged in the form of the February 1986 Treasury Board decision and initiative entitled Increased Authority and Accountability for Ministers and Departments.

This initiative, now referred to as Increased Ministerial Authority and Accountability (IMAA), was explicitly put forward as a change in philosophy and a new approach to the management of public resources to:

- provide ministers and departmental managers with the authority needed to effectively manage
- move from transaction controls to an emphasis on agreed strategic objectives and results
- enhance accountability based on results achieved
- increase the utilization of results and program effectiveness information in Treasury Board decisions⁴⁴

The objectives are to provide for more productive management by increased flexibility and authority for ministers and managers and, at the same time, to enhance the accountability of managers by agreement on expected achievements and the assessment of performance.

In particular, IMAA is to remove a number of constraints and thus to enhance ministerial and departmental authority to manage their approved resources by way of increased discretion to reallocate resources and increased deregulation of general administrative, official languages and personnel policies. Simultaneously, departments are expected to establish and have approved accountability frameworks for their plans, policies, performance criteria and reporting systems; they are to strengthen their planning and control processes; and, finally, the departments and Treasury Board are to ensure that monitoring, measurement, reporting and review mechanisms are well developed. All of this is to be put into effect on a department to department basis through a memorandum of understanding negotiated and agreed to by the Treasury Board and each department. In this fashion not only is a greater degree of decentralization to be effected as between the central management arm of the government and departments but this is to be accomplished in ways that relate to the particular needs and requirements of individual departments. Finally, the assumption is that this philosophy of decentralization will extend down into line departments, that is, it should not result merely in a delegation of management authority to departments which, in their structures and operations, would remain or become highly centralized.

Summary

The experience since 1962 has been one of major shifts in the structures of government for central management purposes. The pre-Glassco period was characterized, on the one hand, by a good deal of decentralization to ministers and departments for policy development and program design with only minimally developed organizational mechanisms for central direction and coordination. The cabinet functioned with the leanest possible technostructure and as a collective body was very much a confederacy of department ministers.⁴⁵ On the other hand, for the purposes of program management, there was an excess in centralized supervision and standardization, especially in the areas of financial and personnel administration.

The post-Glassco period has been characterized by perhaps three patterns. In the initial aftermath of the Glassco commission's report there was an attempt both to provide for a greater degree of corporate

decision making and central direction and coordination and, at the same time, to follow Glassco's prescription for departmental administration, that is, to let managers manage without excessive central management intervention. In retrospect, this period, coinciding with the Pearson regime, appears to have been a transitional period for there soon emerged a second pattern, initiated by the Trudeau regime, wherein the strategic apex was subject to an even more formalized and hierarchical structure of collective policy making with a correspondingly strengthened technostucture and thus a more centralized approach to public sector management. The third pattern represented something of a reversal of the second, that is, a movement back to the first pattern. It would be highly misleading and inaccurate, however, to imply that this third pattern emerged only at the time of the transition to the Mulroney regime.

The third pattern began to emerge in the latter part of the 1970s even though contradictions abounded. At the strategic apex, for example, what came to be called PEMS represented a change in cabinet decision making that contained both centralizing and decentralizing elements. Over a period of time, lasting roughly from 1978 to 1984, the combination of experience and restraint served to demonstrate that even greater decentralization was required in order to deal with the greatest volume of business — hence the elimination of the ministry of state central agencies and the introduction of the IMAA initiative. We do not wish to minimize the significance of the political factors that intervened in these regards (the transitions to Turner and then to Mulroney, to name the most obvious), nor do we suggest that there is a completely logical progression here. Nonetheless, there has been an important measure of organizational learning involved.⁴⁶ The turning point here perhaps came with the creation of the Office of Comptroller General. Although initially seen as a return to the pre-Glassco pattern of centralized intervention into departmental administration, the OCG's basic approach, as noted, has been to help managers manage. This laid the groundwork for further developments to give departmental managers "freedom to manage" — hence the PSC's new strategy of administrative reform and the IMAA initiative of the Treasury Board. Here, too, we suggest there has been an experience of organizational learning. It is represented by these changes in approach to organizational relationships. It is predicated upon a change in management philosophy that in the preceding chapter we suggest could be discerned coming to the fore.

Notes

1. For an outline of the "five basic parts" of an organization (strategic apex, technostructure, support staff, middle line and operating core), see Mintzberg, *The Structuring of Organization*, Chapter 2, pp. 18-34.
2. See Clark, "Recent Changes in the Cabinet Decision-Making System in Ottawa."
3. Richard D. French, "The Privy Council Office: Support for Cabinet Decision-Making," in R. Schultz et al. (eds.), *The Canadian Political Process* (2nd ed.; Toronto: Holt, Rinehart and Winston, 1979), p. 365.
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Chapter III

Organizational Design for Departmental Management

The design of the portfolio structure of the executive branch of government is primarily a prime ministerial responsibility. The prerogative powers of the prime minister for the machinery of government are recognized in statute, the Transfer of Duties Act, and by convention and practice.¹ It is the prime minister, supported by the Privy Council Office (PCO) and advised by whomever he wishes to consult, who initiates changes. Indeed, it has not been uncommon for this power to be exercised by the prime minister with only a handful of ministers and/or advisers involved. Cabinet, Parliament and the public service are then informed after the decisions are made and in most instances, in fact, are in effect, even if legislation is then introduced to formalize such rearrangements.

Portfolio Design

The actual design of portfolios is contingent upon a number of factors. The most obvious in one sense is the size of cabinet, given that in the Canadian tradition all ministers are members of the cabinet—as compared to the British model, for example. The size of the cabinet has increased over the past several decades even though there have been some ups and downs in numbers, ranging over the past 25 years from just over 20 in Diefenbaker's regime to a high of 40 in Mulroney's first cabinet. Demands for regional representation have served to push the number upwards as have demands for the representation of other

constituencies and sectors of the economy. The growth of state intervention and thus the number of responsibilities for government to manage has done likewise. An increase in the number of corporate portfolios has added a few positions. And, among other factors, the creation of a hierarchical committee system has enabled prime ministers to increase the size of the cabinet without the size factor unduly causing unmanageable chaos. Hence, there has been the increased use of ministers of state "to assist" other ministers, that is, ministers with a portfolio of responsibilities but usually without parliamentary statutes to implement and thus without statutory authority to take action on their own.²

Even with a cabinet of over three dozen ministers, however, the complexity of governmental undertakings is such that ministerial portfolios in a great number of cases encompass more than a single-purpose department. These are two dimensions of this complexity that deserve attention here.

First, a number of government undertakings have been organized in ways that remove them to some degree from direct ministerial management. These organizations have been established by Parliament or by the cabinet or a minister under enabling statutes, such as the Canada Companies Act, to perform a wide variety of state functions. Not only is there a bewildering array of such organizations (at one point in the 1970s even an indeterminate number), but there has also not been, at least in recent decades, an adequate regime to classify them in organizational design terms.³ They include what are known as Crown corporations and other agencies established on an *ad hoc* or unique basis. They even extend to subsidiaries of Crown corporations established or purchased in many cases without reference to the cabinet, let alone Parliament. They also include, whether listed for certain purposes as Crown corporations, regulatory and marketing boards and commissions, administrative tribunals and even advisory agencies. In some cases, these organizations are in law or in fact little more than departments under another name and thus under ministerial direction and management. At times, some others, regardless of their design, are very much subject to ministerial or cabinet direction and intervention. As a generalization, however, it can be stated that a great number of governmental undertakings are performed by organizations which function at arm's length from ministers, individually and collectively, and, by extension therefore, from public service managers in the technostucture and operating departments.

It should be noted here that, by design, such organizations represent the most extreme form of decentralized delegated authority in our system of government. The design considerations in question have been in some cases partly a function of administrative

convenience, that is, so as not to overburden the existing administrative design, particularly in areas where there appeared to have been little need for direct ministerial direction and management. A second consideration has been the perceived advantage of delegating authority to a corporate body—a board of directors or a multi-member commission—for the purposes of collective judgment and expertise. A third consideration has been to enable the management of such undertakings to function independently from the corporate structures of government, especially those involving financial and personnel administrative policies as well as common services policies. A fourth consideration has been the perceived need to have, and be seen to have, the management of such undertakings removed from the partisan arena of politics. In these instances, albeit with some variations, these organizations are not considered the direct responsibility of ministers: they are not accountable to a minister but rather accountable to Parliament *through* a minister. As several studies and reports have made clear, these organizations and their accountability regimes leave much to be desired. But this is a separate matter and one that we have excluded from our own considerations. We raise these design issues here simply to indicate that there are operating agencies of government in addition to the departments that ministers direct and manage and that most are for some purposes considered to fall within ministerial portfolios.

The second dimension of the complex issues involved in the design of the portfolio structure of the government arises from the need to divisionalize this structure on grounds that meet several criteria. In addition to the creation of portfolios for the corporate management of government—Finance, Treasury Board, Justice/Attorney General, External Affairs, Federal-Provincial Relations—and for common services—Public Works and Supply and Services—portfolios are required to direct and manage the operating departments. The divisionalization of portfolios for this purpose is no easy task.

There are several factors why this task is also difficult. Three are obvious. First, there is either a requirement, such as the case for the federal government with respect to the management of Indian Affairs, or the political demand, as from veterans, women or most recently our non-francophone/non-anglophone ethnic committees, for the establishment of organizations devoted specifically to the needs and interests of these "social" constituencies and headed by a minister. Second, there are "economic" constituencies, such as farmers, fishermen, foresters, miners, manufacturers, small business, consumers and labour, which also demand that their interests and needs be met by way of ministerial organizations. Third, there are "regional" constituencies, such as the North, Atlantic Canada or the

West, which can be identified as requiring separate structures within the design of the cabinet's portfolio system. To complicate the matter further there can be an overlapping between these three sets of constituencies: for example, a demand from Atlantic Canada that there be a separate portfolio for fisheries.

The net result of these factors is that the design of portfolios is not a simple matter of divisionalization along the lines of the purpose of government wherein there is a division of public services to, or the regulation of, an undifferentiated citizenry across the entire territory of the state. In addition, of course, the political priority attached to any of the above constituencies has changed and will continue to change over time. Not surprisingly, therefore, a good deal of organizational change in the design of ministerial portfolios has been and continues to be the norm.

The matter does not stop here, however. Ministerial portfolios are also created and altered as governments attempt to integrate, or order the priorities given to, various policy and program objectives. So even where the basis of divisionalization does not involve the political constituencies noted above, interdependencies in the purposes of government create design complexity. This is well illustrated in the case of government organization for the purpose of international trade.⁴ A portfolio for trade and commerce was created just prior to the turn of the century in recognition of the importance of trade to the Canadian economy. By the 1960s, however, it was clear that this portfolio's focus on export promotion did not sufficiently encompass a concern for domestic industrial development, particularly in the manufacturing sector. Hence in 1963 a separate portfolio for industry was established. It did not take long for government to realize that trade promotion and industrial development in an economy highly dependent upon foreign trade were intimately related and that these two functions of government needed to be coordinated. In 1969, therefore, the two portfolios were merged under a single portfolio and department of Industry, Trade and Commerce (ITC). Thirteen years later, however, the two functions were again organizationally divided. The principal rationale for the 1982 reorganization was the perceived need to better integrate Canadian trade and foreign policies. Trade and commerce were thus transferred to the External Affairs portfolio but with special responsibility given to a new portfolio for trade attached to the Secretary of State (that is, minister) for External Affairs. Industry was then merged with parts of the regional economic expansion portfolio, to become the portfolio of Regional Industrial Expansion. The current free trade initiative of the Mulroney government has obviously elevated the importance of the trade function, hence this portfolio, in relation to foreign policy on the one hand and industrial policy on the other. The latter, moreover, has

recently been reorganized and joined with Science and Technology following the creation of the Atlantic Canada Opportunities Agency and the Western Diversification Office.

This brief discussion illustrates two points about portfolio design which are relevant to this study. The first is that the determinants of divisionalization within the portfolio system serve to produce a configuration of ministerial responsibilities with a significant degree of overlap. As J.E. Hodgetts noted in his study that encompassed the experience from 1867 to 1970:

no matter what principle is applied . . . there are bound to be conflicts of jurisdiction: the search for a 'water-tight' department, completely self-contained, is bound to be frustrated by the ubiquitous connecting tissue that links a programme in one department to those conducted in other departments.⁵

Since 1970, these conflicts in jurisdiction have increased as the number of portfolios has been enlarged, new programs have been introduced, and new political constituencies have demanded ministerial representation. Such conflicts, of course, beg for resolution; the result is increased attention to the decision-making process of mutual adjustment among ministers. Not unexpectedly, this promotes centralization to the ministerial level. It has also created what H.L. Laframboise has labelled a new profession, that of "interdepartmental diplomacy." As he puts it:

The blurring of departmental boundaries, coupled with the spread of collegial decision-making, the proliferation of watchdog agencies and the creeping extension of mandates, has made necessary an emphasis on interdepartmental negotiations, and this emphasis has been translated into a corps of interdepartmental diplomats of considerable dimensions.⁶

Interdepartmental diplomacy, to the extent that it is undertaken either to protect departmental jurisdiction or to advance a department's mandate, constitutes a second pressure to centralize within departments. Struggles over bureaucratic turf are invariably regarded as critical dimensions of strategic management.

At the same time, however, there is a second consequence of the increased divisionalization of portfolios along these several lines. The diverse configuration of portfolios that has been created has made it increasingly difficult to speak of ministers and portfolios as though all were of one type. Without dwelling on all the intricacies, the

Following points need to be made. First, there are now almost a dozen minister of state "to assist" portfolios. These are attached to senior portfolios in ways that admit of some variations but which for the most part make them junior portfolios because while they are given specific responsibilities they do not possess separate statutory authority. The minister of employment and immigration, for example, is assisted by a minister of state (youth) and a minister of state (immigration). Second, and a variation of the first point, there is in the case of the External Affairs portfolio wherein there is a troika of ministers: the secretary of state for external affairs, the minister for international trade, and the minister for external relations. In this case the minister of state designation is not used for the latter two ministers. The senior-junior structure here, particularly in terms of the first two ministers, is deemed inappropriate. Third, one minister, the minister of national revenue, has within this portfolio two separate departments: National Revenue (Customs and Excise) and National Revenue (Taxation), each with its own deputy minister. As a result of these differences in portfolio design, authority and power are dispersed in several different ways, some ministers have different kinds of interministerial relations than some other ministers, and the relationships between ministers and departmental officials vary by portfolio. Among other things, this diversity introduces an important degree of specialization that in turn produces pressures in the direction of decentralization—to individual ministers and departments. These pressures act as a counterweight to the centralizing tendencies noted above. Portfolios and departments may not be "watertight" and "self-contained," as Hodgetts has noted, but at the same time neither are they simply interchangeable parts of a larger system. All of this, we recognize moreover, makes it difficult to generalize about the design and management of departments. There are, nonetheless, a number of common features that provide a basis for our consideration of the essential dynamics of departmental design and management.

Departmental Organization *Differentiation and Integration*

It is important to emphasize, once again, that departments do not exist except as part of the superstructure of government. In this sense they are divisions of a larger organization subject to the directives and control of the strategic apex of the larger organization—the prime minister, cabinet and its committees, its technostructure—coordinating ministers and their agencies, and common services ministers and their departments and agencies. As chief executive officers of departments, ministers are thus middle managers with

restrictions and limits on their authority. Deputy ministers, accordingly, also function within a restricted and limited managerial context.⁷ They have, as all commentators have noted, "multiple accountabilities": that is, to their minister, to the strategic apex and to its technostructure as well as to the Public Service Commission (PSC) as an agency of Parliament. Analogies between deputy ministers and chief executive officers in private sector corporations are thus grossly misleading. Deputies are more akin to the senior managers of divisions within so-called divisionalized corporations which are organized with a strong corporate executive structure for planning, coordination and control and, wherein, there are important organizational interdependencies between the divisions of such a corporation.

The multiple accountabilities and thus the many restrictions and controls on deputy ministers should not be interpreted, however, to mean that deputies do not possess a significant measure of delegated authority. They do; it is, in fact, the deputy minister who has been delegated primary responsibility for the organizational design of his or her department. This delegation of authority—a tradition within Canadian government—has meant that deputies can design their central management structures with considerable discretion to suit their personal management style and objectives. This point must be emphasized for two reasons. First, deputies do have a significant influence over the formal design if they wish to exercise it; and, second, whatever the formal design, the actual management of a department is determined by the ways in which the deputy manages the department in practice. There are occasions when the deputy minister will be assigned to a department whose structure has recently been designed in large part by the strategic apex and technostructure, such as was the case in the design of the Department of Regional Industrial Expansion (DRIE) in 1982. But even in these instances the second dimension comes into play as the deputy minister still has considerable scope to shape the actual (or informal) management system.

Many factors influence the design of the formal structure and its operation. At this point, two should be noted. The first involves the organizational impact that new initiatives at the centre have on departments. Examples here abound. The reforms of collective bargaining and the Glassco commission, for example, had an immediate impact on departmental organization given the increased delegation of responsibility for financial and personnel administration. The result was that these specialized managerial functions assumed a greater importance in departmental management. The introduction of the Treasury Board's planning-programming-budgeting system (PPBS) required departments not

only to change their practices but also to develop new or more specialized functions and units within departments. The introduction of programme evaluation produced a similar result. So, too, did the emergence of electronic data processing—a highly specialized, technical function with its corresponding organizational units. More recently, new information technologies have raised the same kinds of organizational issues of specialization in management. More generally, the increased concern for policy planning, emanating especially but not exclusively from the Privy Council Office, demanded that departments develop or upgrade their own organizational capacities in these areas.⁸ The communications function (research, marketing, public relations, media relations, information) has extended down into departments with organizational design consequences.

The above list is not presented in any temporal sequence and is not all inclusive. It is sufficient nevertheless to illustrate the kind of functional differentiation that has required deputy ministers to introduce a corresponding degree of organizational differentiation in the design of their management structures. Although good management requires a corresponding integration of these functions, it is clear that this task has become more complex and difficult given the horizontal specialization that has taken place below the level of the deputy minister. A principal task of the deputy is thus to manage his or her management team, a team of increasingly specialized managers.

The central question for actual management, accordingly, has been the degree to which deputy ministers are able to manage their teams in ways that integrate those functions that have been differentiated and thus have become more specialized. The dynamics of this requirement involve the second factor in formal design and actual practice, namely the deputy minister's style and objectives. At issue here is whether the deputy does or does not succumb to the policy-management dichotomy in his or her personal approach. If the deputy does succumb, then the expected result is twofold: on the one hand only those members of the deputy's senior management group who are responsible for planning and programs will constitute the team for the purposes of policy development and program design; while, on the other hand, those responsible for specialized management functions, such as financial or personnel administration, will be excluded, at least as principal participants. If the deputy does not succumb, then the result will be to integrate the several management functions; the management team will thus both be broader and be responsible for policy development as well as implementation.

The evidence as to the experience of departmental management on this score cannot be definitive. This is because in some large measure the actual management style and behaviour of deputy ministers cannot be ascertained simply by examining formal structures. Some criteria can be applied here, such as the titles/ranks given to those who have functional and line responsibilities and the reporting relationships of the same to the deputy minister. For the most part, however, the key criterion is who participates on the management team in actual practice. There is some evidence in this regard, but it must be treated with caution because it is based more on interviews with officials and the personal experiences of commentators than on empirical case studies. There appears to have been, however, a tendency for some management functions to be downplayed in the management of departments, and that tendency still exists to some extent.

The Lambert commission, for instance, concluded, in the late 1970s, that "the full potential of the senior financial officer as a member of the management team and as a participant in the planning and evaluation processes is considerably underestimated and underutilized."⁹ According to the commission:

Our definition of financial management requires that senior financial officers make a significant contribution to the planning, budgeting, controlling, and evaluation activities of their departments. Our research revealed that fewer than half the senior financial officers now fulfill this role.¹⁰

These perceived deficiencies led the commission to recommend that such officers "report directly to the deputy head and be a full and active member of the management committee."¹¹

This same commission and the D'Avignon special committee lamented the degree to which effective personnel management, in some degree due to the previously noted division of responsibilities between the Treasury Board and PSC, has not been given the attention it requires at the departmental level, despite the efforts made in this regard following the introduction of collective bargaining and the delegation to departments of significant staffing authority. Lambert and D'Avignon both recommended that personnel management be given a higher priority in the overall management of departments. The Lambert commission, for instance, recommended specifically that: "the senior personnel officer in the department report directly to the deputy head and be a full and active member of the management committee."¹² It noted, it should be pointed out, that there was a growing practice in this regard.¹³

Although the above evidence should be treated with caution, even for the period that it reported on, some measure of confirmation can be seen in two sets of development. First, there have been the initiatives of the central agencies to improve management practices in ways that give greater priority to financial and personnel management as well as to performance measurement and program evaluation in order to promote a greater concern for departmental management as corporate or integrated management. Second, there have been increased efforts by at least some deputy ministers, in concert with their management teams, to overcome the fragmentation inherent in approaches predicated upon the notion of a policy-management dichotomy. This is illustrated by new approaches to planning and accountability, as undertaken, for instance, in the Department of Employment and Immigration, which recognizes that "planning is an integral part of management that cannot be separated from other management functions."¹⁴ It is also illustrated by the explicit efforts of some deputies to have their functional and program managers become more familiar with the responsibilities of each other and to involve themselves with the considerations that each must bring to corporate decision making. This is also expressed in efforts to have all senior managers involved in program reviews as changes are contemplated. There is, in short, evidence to suggest that the most debilitating consequences of the acceptance of the policy-management dichotomy have been acknowledged and are being addressed.

Deconcentration, Divisionalization and Decentralization

The third point to be considered with respect to departmental design and management concerns the way in which a department is organized to relate its management and operational roles. Previously we drew attention to the Glassco commission's approach to and prescription on this subject. We noted that this commission considered the distinction between administration and operations to be of particular importance; and that the former had to be undertaken at the directing centre of a department and the latter dispersed and operating responsibilities delegated in order that administrators not be diverted from their essential task by the intrusion of operational questions. This distinction has had a profound effect on departmental design and management in those operating departments with dispersed operations; that is, departments which by virtue of their operations have had to deconcentrate activities outside of Ottawa. The Glassco commission distinguished administration from operations to emphasize the need for the central headquarters of departments to develop their capacities to undertake the tasks of professional administration. These "more generalized functions of

management," it said, are "common to departmental administration throughout the public service" and this should mean, argued the commission, "that senior administrative staff can be used interchangeably among departments."¹⁵ It follows, therefore, that "administrators should not be chosen because of professional qualifications unrelated to the functions of management."¹⁶

Following the reforms instigated by the Glassco commission and by the introduction of collective bargaining, an emphasis on professional management did emerge and in some large measure the norms prescribed by the commission took hold. Those in the field were certainly affected but primarily by way of increased direction and supervision from headquarters, even though there was on paper some measure of delegation of responsibility for personnel, financial and contract administration to the field. The arrangements for field offices by departments at this time—the 1960s—were characterized by a bewildering variety of approaches. The principal reason for this was that field offices had been organized primarily according to operational criteria. These, of course, varied dramatically from one department to another; and, in those departments with two or more major divisions or program branches, there were even variations among divisions within a single department. Management considerations had not generally determined these field structures but rather had been forced to accommodate them.

Following Glassco, nonetheless, at least two general tendencies in organizational change affected headquarters-field office arrangements. As noted by J.E. Hodgetts, they were as follows.¹⁷ On the one hand, there was the tendency for departments to move away from a structure in which field units of the department reported either directly to the deputy minister or where field units of a program branch of a department reported to an assistant deputy minister (ADM) for that branch, to a structure in which the field offices were grouped into regions headed by a regional director, who then reported to an assistant deputy minister-operations. On the other hand, there was the tendency for multiple reporting relationships to develop, "informally if not formally,"¹⁸ in order that specialists, administrative and operational, be able to communicate vertically between the several units at headquarters and the field and regional offices. This second tendency was the result of what Hodgetts called "the 'natural pressures' based on the psychic needs of experts to deal with their own kind."¹⁹

In some important respects, this largely informal, but in some cases formal, second arrangement tended to undermine or at the least make somewhat uncertain the first tendency, because it treated the regional and field offices merely as the operational dimension of the department. However, operations in the field, with only a few if any

exceptions, are too diverse and complex to be treated as simply assembly-line type operations. A good deal of management is thus required in the field even if an attempt is made to centralize decision making at headquarters. In some cases the work done in the field is professional and discretion is required. But even in those cases where the work is more technical in character, a good part of it is not merely clerical. And, in any event, the regional components and even field offices of most departments undertake operations with numbers of staff and a volume of transactions that impose important management responsibilities on those officials in charge of them whether or not they have been delegated formal authority. Operational management, in other words, is management. Efforts to control management at this level either by way of direct headquarters supervision, as was the case in most departments prior to the Glassco commission era, or by extensive standardization of work processes, outputs or even skills imposed by headquarters, as occurred both before and especially after Glassco, have thus met with only limited success.

The relative lack of success in these efforts to provide centralized direction and coordination meant that the quality of management in the field often left much to be desired. At the same time, the wide variety of patterns in departmental deconcentration meant that coordination, even among branches of departments let alone between departments, was either absent or largely ineffective. Indeed, despite efforts to impose tight controls, regional offices in many cases came to be largely autonomous and managed by officials who possessed considerable power, notwithstanding their limited formal authority. This is not an uncommon outcome of excessively bureaucratized organizations with diverse and complex operations. This is hardly conducive to effective management, however. As Michel Crozier explains it, both superiors and subordinates—in our case headquarters and field officials—are stymied: formal authority to set policies, plans, rules and regulations is vested at the top, while the knowledge and information and thus power to get things done is located at the bottom.²⁰ The organization, in other words, contains a mismatch between formal authority and informal power. This is the ultimate and most perverse consequence of an organizational design predicated upon the assumption that administration can be separated from operations in cases where the latter are not purely routine, machine-like undertakings.

It would be grossly inaccurate to suggest that all or even any departments in the 1960s took this assumption to its extreme form in the design and management of its activities. At the same time, nonetheless, it is not an exaggeration to say that the tendency was generally in this direction. Indeed, most organizational changes since

the 1960s give evidence of this for the simple reason that they have been in the opposite direction.

The most interesting case in the transition that has occurred since the early 1960s is that of the Department of Regional Economic Expansion (DREE). First, it was created, as we have noted, to deal with the spatial (or place) dimension of national policy, particularly in what we now refer to as the economic development sector. However, when first designed the department was not organized in a deconcentrated manner; rather it was highly concentrated in Ottawa—80 per cent of its departmental staff were at headquarters—and, ironically, it was by far one of the most concentrated of the government's operating departments. Second, the management system was highly centralized. As J. Douglas Love, who became its deputy minister in 1971, described it:

Although the Department was concerned with regional development, it was highly centralized. . . . The Planning Branch, responsible among other things for all economic analysis and all negotiations with provincial governments, was in Ottawa. The Incentives Branch, responsible for assessing RDIA [Regional Development Incentive Act] applications from across the country, was in Ottawa. The three Operations Branches . . . were substantially in Ottawa and were frequently in conflict with their provincial offices, which seemed to lack the authority required to carry out their limited responsibilities for program implementation.²¹

The field offices, organized on a provincial basis, had clearly been designed according to the Glassco formula. As Love put it, they were "concerned only with program implementation, in a routine sense of the term."²²

Moreover, the policy-oriented analytical staff not only were concentrated almost exclusively in Ottawa but were not even organized along regional lines. As Love recounts:

The planning branch had well over one hundred people but they were not organized in a manner allowing most individuals to give undivided attention to particular areas of the country. It was difficult to say, for example, just how many economists were working full-time on the problems and possibilities of Saskatchewan, or Quebec, or Nova Scotia.²³

For a department that was meant to represent a new approach to departmental design and management, these organizational characteristics were traditional in the extreme.

But DREE did serve to mark a transition. It did so a few years later in 1973 by radically restructuring and reorienting its design and management. It deconcentrated its structure; it decentralized its decision-making process; and it reoriented its approach to more effectively focus its efforts on the regional or spatial dimensions of its policies and programs. Its reorganization marked a turning point in federal departmental organization. This was perhaps best illustrated by the assignment of ADMs to the field as heads of regional headquarters—the first time that officials of this rank were located outside of Ottawa. Under this scheme, with four regions—Western Canada, Ontario, Quebec and Atlantic Canada—the most senior program managers were in the field with only two assistant deputies in Ottawa: one for administration and one for planning and coordination. The deputy's management committee, also for the first time, thus included officials not based at headquarters.

Equally important, the four new regional headquarters were staffed with a full complement of functional and program specialists, including what Love called policy-oriented analytical staff. These offices were not to be simply regional operations centres. Moreover, this approach to decentralized management did not stop at the regional level. Rather, it was extended down further to provincial offices which were given "a comprehensive mandate" and the correspondingly complete range of staff.

Finally, the management structure was designed so that there would be a significant delegation of financial authority both to the regional ADMs and the provincial directors general. Although these officials were expected to single out "sensitive" cases for consideration by their superiors, that is, for example, "those involving a problem of legal interpretation, a possible policy conflict or a known federal-provincial issue," they were expected to offer advice on the same.²⁴

The 1973 reorganization of DREE was, in several respects, an experiment. It was viewed as such by the department itself and Treasury Board and its officials. For this reason, as noted, it "was not organizationally well synchronized with the rest of the federal government."²⁵ This meant that "its regional ADMs and [provincial] Directors General, and many of its other senior people, had to spend a lot of time travelling to Ottawa for discussions in other departments who had a capacity to interpret and influence policy."²⁶ At the same time, however, the DREE model did offer "a certain amount of encouragement to departments and agencies that were interested in applying increased resources to their structures outside of Ottawa."²⁷

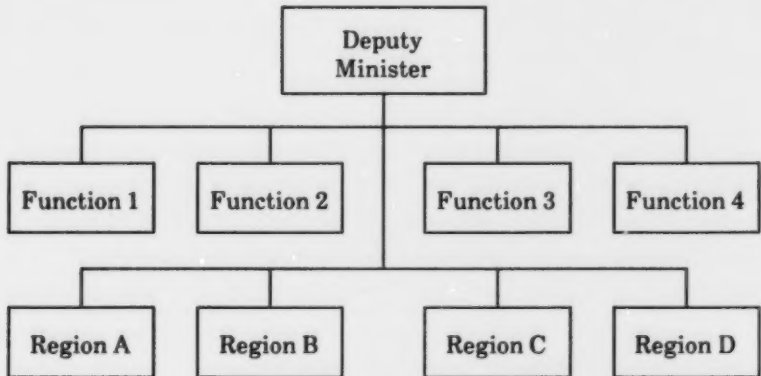
With the exception of the 1969-1973 period in which DREE was not only highly centralized in its decision making and management systems but also highly concentrated in Ottawa, the norm for operating departments has been at the least a high degree of deconcentration to regional and field offices.²⁸ Deconcentration, however, as we have noted more than once, is not necessarily synonymous with decentralization in terms of a delegation of authority to the field. Given the variety of government departments, it is not surprising that considerable organizational variations between departments should be found. Indeed the variety is such that each department is in some important respects *sui generis*. This is well illustrated in the ways in which regional structures have been developed.

Only one department has followed the DREE model of having assistant deputy ministers in charge of regional offices. This is National Revenue (Taxation). In this department there are now five regional ADMs who have line authority over their regions, which encompass several district offices and taxation centres. Functional authority for policies and programs is vested with four ADMs at headquarters for management services, policy and systems, communications and corporate development, and legislative and intergovernmental affairs. The regional ADMs are members of the deputy minister's management committee and are expected to participate in policy development and program design decision making.

Four departments have organized themselves in ways that are similar but not identical. These are the departments of Employment and Immigration (CEIC), Indian Affairs and Northern Development (DIAND), Regional Industrial Expansion (DRIE), and Fisheries and Oceans (DFO). Although there are differences between these four, there are a number of common elements. The first is a separation of functional and line authority (as with National Revenue (Taxation)) whereby the former is vested with two or more assistant deputy ministers located at departmental headquarters and the latter is vested with senior regional officials in the field. (The latter officials in some cases are responsible for a region that encompasses more than one province, e.g., the Atlantic region, or the region in question may be a province. In Indian Affairs and Northern Development there are regions that constitute provinces in six cases and a single region for Atlantic Canada.) This means that the regional structures, under a regional office, provide for policy implementation and program delivery in an integrated manner at the regional level. Further regionalization may occur down either to a provincial level (that is, where the region in the first instance means more than one province) or to subprovincial field offices. In some cases, integration continues

downward as well. This integrated approach to policy implementation and program delivery thus requires that regional structures interact with more than one functional division at headquarters and, secondly, that the regional structures themselves be organized according to these major functional divisions but under the line authority of a single regional official for each region. Policy implementation and program delivery, in short, are carried out by way of integrated regional structures, as diagrammed below in Figure I.

Figure I



There is **not** under this design a single official below the deputy minister, such as an assistant deputy minister-operations, responsible for all regional structures. A second feature, therefore, is that the senior officials responsible for each region report directly to the deputy minister, as outlined in the above diagram. This means that they are collectively part of the departmental management team and thus participate directly in policy development and program design along with the functional divisions headed by ADMs. The result of this design is that while the department is deconcentrated for policy implementation and program delivery **and** there is some measure of line authority delegated to the regional structures for these purposes, the decentralization of the department does not simply disperse authority to the regions. Rather decentralization is effected in a way that, in theory at least, incorporates those with delegated authority into departmental decision making for policy development and

program design and does so in a way that integrates the several regional structures into a corporate system. The logic of this design is that delegated authority should be exercised within a framework of departmental goals, plans, objectives, and policies that is developed with the participation of those who exercise delegated authority. Discretion is exercised, then, by those who not only fully understand the framework and are able to communicate it to others but at a level that best links knowledge of specific circumstances to decision making in particular situations.

CEIC was perhaps the first to deploy this design using as regions the 10 provinces, with directors general for each province/region (with one additional region for the foreign operations of the commission/department). These regional structures are thus responsible for the implementation of the four major policy/program functions of CEIC—unemployment insurance; employment services; immigration; and the Canadian Jobs Strategy—each of which has a functional division headed by an ADM at headquarters. DIAND has a similar structure as a result of a recent reorganization of the Indian Affairs side of the department which created four functional areas: economic development; Indian services; lands, revenues and trusts; and self-government. DRIE, although at present undergoing a major reorganization, has been organized along the lines of this model. When it was created through the merger of the industry side of ITC and several components of DREE, it did not follow the model of either. Rather DRIE represented a compromise between the concentrated/centralized design of ITC and the deconcentrated/decentralized design of DREE. Moreover, DRIE was in operation for some time before its regional (that is, provincial) executive directors were included in the central management committee of the department.

Finally, DFO, in a recent reorganization, has moved in the direction of this model. This department, which has gone through a number of organizational changes over the past decade, was reorganized in 1986 so that it now has six main divisions—science, Atlantic fisheries, Pacific and freshwater fisheries, international, corporate and regulatory management, and policy and program planning—each under an ADM. These divisions have functional authority over the six regional structures headed by directors general. The latter have integrated line authority over their regional structures which include a number of area offices with a larger number of district and local offices. The directors general for the six regions (Newfoundland, Scotia-Fundy, Gulf, Quebec, Central and Arctic, and Pacific) report directly to the deputy minister. They also are members of the department's management committee which includes the deputy, the six ADMs, as well as the six regional

directors general (RDGs). They are not members of the executive committee which includes only the first seven.

This new organizational design was undertaken for a number of reasons. Among them were the following: increased efficiency and downsizing, especially at headquarters; a greater integration of science activities; and a greater integration of the regional structures. In the process, a new division of science was established which brought together responsibilities which had been divided between three divisions: ocean science and surveys, Atlantic fisheries management, and Pacific and freshwater fisheries management. The first disappeared and the two others lost their science responsibilities. The marketing, international and inspection division was split into two: inspection services (coupled with corporate management) and international. At the regional level, the structures were integrated. Under the old regime, there had been two regional structures: one for and reporting to both Atlantic fisheries management and Pacific and freshwater fisheries management; and one for and reporting to ocean science and surveys. Now the RDGs for each region are responsible for all regional programs: fisheries management, science and inspection as well as common support services. As noted, they report directly to the deputy minister.

A third model, although one with considerable variations, is one in which regional structures are under the direction of an assistant deputy minister for operations (or field operations). In this case there is also a distinction between functional and line authority as in the two models just discussed, but here the ADM (operations) has line authority over regional structures. Moreover, there are, usually some elements of line authority retained by at least some functional ADMs for certain programs or projects of national significance. Nonetheless, in a number of departments, there is a considerable delegation of authority to regional structures.

The Department of Supply and Services (DSS), for instance, has three functional ADMs—for supply operations, management and operations services; and finance, personnel and administration—and an ADM for regional operations. Under the latter are four RDGs for its Atlantic, Quebec, Central and Western regions, with provincial directors under them. The regional (and provincial) offices are themselves full-scale line units for the integrated provision of nearly all DSS programs. Although the RDGs are not members of the deputy minister's management committee, a regional advisory committee that bring together the management committee and the regional directors general has been introduced.

The Department of Communications, to take a second example, has five ADMs—telecommunications and technology, corporate policy, corporate management, cultural affairs and broadcasting, and

spectrum management and regional operations. The latter is responsible for the development of policy and programs relating to spectrum management which are implemented by five regional structures (Atlantic, Quebec, Ontario, Central and Pacific) headed by regional directors who report to this ADM. In this line capacity, however, a good deal of authority is delegated to the regional structures. At the same time, however, these regional directors and their regional offices are responsible for representing the entire department, and not just the spectrum management division, in the region. Although these regional directors are not on the senior management committee of the department, they are required to interact with officials in other divisions of the department given their role of representing the department in the region.

Still further variations are found in the regional structures of the Department of Labour which has five RDGs who report to an ADM (Operations). These regional structures are responsible for a wide range of departmental services, although a number of services are provided directly by the department's headquarters (including mediation and conciliation services which has a separate field office structure). The Department of Veterans Affairs is somewhat similar. There are major regional structures for the Atlantic, Quebec, Ontario, Prairie and Pacific regions under RDGs who come under the authority of an ADM (field operations), although there are other regional and district offices for certain other functions—land administration, for example.

As should be clear from the foregoing examples, departments are best able to delegate authority to their regional structures and to integrate them with departmental decision making for policy development and program design when there is a commitment to the design of regional structures for general management. Although there are always the natural pressures noted by Hodgetts whereby specialists wish to interact with "their own kind" across hierarchical and horizontal boundaries within an organization, regional structures for departmental corporate management are always more difficult to achieve when the department itself is highly divisionalized. A number of departments find themselves in this situation.

The most notable in this regard perhaps is the Department of Health and Welfare. It has four major sets of regional structures for four different program branches, each headed by an ADM. These are: (1) medical services with regional directors for its 10 regional offices, (2) health protection with regional directors for its five regional offices, (3) health services with regional directors for its five regional offices, and (4) income security with four assistant directors general for four areas along with regional directors for 10 regional offices. In addition, the department has two other branches headed by ADMs,

namely Social Services (with several smaller regional offices) and Fitness and Amateur Sport; as well as three ADMs for policy planning and information, intergovernmental and international affairs, and corporate management.

The Department of National Revenue (Customs and Excise) has two separate regional structures: one a series of 10 regional "collectors" who report to an ADM (field operations); the other a series of nine regional offices headed by regional directors who report to the ADM (excise). There is also an ADM (custom program branch). This means, in effect, that this department uses two different models for its two quite distinct divisions. On the customs side there is a functional ADM—for customs programs—for the purposes of policy development and program design and a line ADM for field operations to implement customs policy and programs at the regional level. On the other hand, a different approach is used for the excise division; it is an integrated functional and line structure with the regional directors and offices reporting to an ADM who is responsible for policy development and program design as well as regional implementation.

The Department of Transport has for some time been considered a department with a significant—some would say excessive—degree of divisionalization. Its three main sectors—air, marine and surface—had developed "almost as separate departments" in their own right.²⁹ Indeed, the "ministry system" that was put in place in the early 1970s, in some large part to better integrate several Crown corporations and a major regulatory commission with the Department of Transport, served to strengthen the three modal sectors, especially the air and marine administrations, as they came to be called.³⁰ Not only did these administrations, large and complex organizations in themselves, assume major responsibilities for policy development and program design in a manner whereby each went its own way to a large extent, but they also developed their own staff capabilities in areas such as financial, personnel and systems managements. In addition, they each developed their own separate regional structures which possessed line authority over their respective field offices and activities.

Partly in an attempt to encourage greater intermodal integration—a "national transportation system"—and primarily in an effort to contain expenditures, a major downsizing operation was put into action. From a number of perspectives this operation has entailed a good measure of centralization. Paradoxically, one of the most important mechanisms established as part of the effort in "turning the organization around" was an agreement between the department and Treasury Board, an initiative that preceded the Increased Ministerial Authority and Accountability (IMAA) program. Under this agreement, the board granted the department, among other things,

increased delegated financial and personnel authority, within a multi-year expenditure plan, and an expenditure envelope within which the department not only has increased flexibility to reallocate resources between programs (and thus its modal divisions) but also can retain savings resulting from various kinds of departmental initiatives. A second paradox of sorts has resulted from the decision to deal with divisionalization by increasing it, primarily by splitting the air administration into two divisions—civil aviation and airports. Thirdly, in an effort to counter separate modal "allegiances and loyalties," to "foster the growth of corporate loyalty" and, at the same time, to separate "the product delivery from the planning and corporate control mechanisms," the department has decided to centralize the finance, personnel, policy and planning and review functions.³¹ Personnel for the latter functions "remain in the field" but no longer are under the line authority of their modal administrations or their regional structures; rather they have had "their reporting relationships . . . transferred . . . to the corporate level," that is, to headquarters.³² In all of this, a significant reconcentration from the field to headquarters is also being effected.

Although the option of creating regional assistant deputy ministers with line authority over all regional structures, and thereby attempting to secure integration and a "corporate will" at the regional level, was considered, the effect of the greater delegation of authority from the Treasury Board to the department has been increased centralization. The structure now has seven assistant deputy ministers: policy and coordination; marine/coast guard; surface; air; finance; communications; personnel; and an executive director for the airports authority group. Of the four main program groups, as they are now called, three have functional authority over their own regional structures: marine with five regional structures headed by RDGs; airports and air with six each.

These RDGs, however, no longer have line authority over their total regional structures (and in a number of cases are now more junior positions). Rather, the marine and air RDGs find themselves with their regional personnel and finance offices reporting to the personnel and finance groups at headquarters respectively. A similar centralization of authority has occurred with respect to communications/public affairs. Finally, under the ADM (policy and coordination), regional directors for policy and coordination have been established in seven regional offices. They were put in place, said the deputy minister, because, "Transport Canada requires a **central corporate presence** in the regions for consultation, information dissemination and analysis of a wide range of multimodal transportation policy and program issues. By fulfilling this need, the regional directors will improve communication of Transport Canada

policies, programs and priorities internally and externally" (emphasis added).³³ This central corporate presence, however, is not to affect "the line reporting relationships of regional directors of operations."³⁴ Needless to say, this highly divisionalized system of regional structures does not allow senior regional officials to participate in the senior corporate management committees of the department: these are restricted to officials at the ADM level.

The Department of the Environment constitutes another example of a divisionalized department with each division (or service as they are called) having its own regional structures. These vary between the services—now three in number (Conservation and Environmental Protection, Atmospheric Environment and Parks Canada). The department was created in 1971. It brought together a number of units from other departments and was built essentially around the former department of Fisheries and Forestry. The result, as Paul Brown has noted, was that "senior officials were acutely conscious of the problem of turning a conglomerate of disparate units into a cohesive and effective whole."³⁵ Since its creation, especially as the department was highly deconcentrated even at the outset and became increasingly decentralized in its several services (including those, such as Parks Canada, later added to it), the issue of making the department a cohesive and effective whole has been well illustrated by its efforts at coordination and integration at the regional level.

The evolution of its organizational efforts in this latter regard are those of a department coming eventually and essentially full circle. At the outset, the department attempted to provide for coordination through a system of regional boards for each of its five (later six) regions. The chairpersons of these boards were rotated among the regional managers of the several services in each region. According to Brown,

the boards enjoyed the great advantage of high level support, especially after 1974, when Blair Seaborn became deputy minister. Seaborn insisted that the boards were to be the primary coordinating or consultative mechanism as far as regional operations were concerned, and that they should exercise a key role in the planning and operation of all inter-service committees or other means of consultation in the regions.³⁶

By the late 1970s, however, it was clear that these regional boards simply could not achieve what had been expected of them. A number of factors contributed to their declining effectiveness, divisionalization chief among them. The department's planning and

budgeting system was vertical and not horizontal insofar as the boards were concerned: each regional service was integrated into a national service under a functional ADM at headquarters and it was only at headquarters that a horizontal or corporate structure existed, under the deputy minister, to provide for an integrated department plan and budget. The several services, moreover, were not only vertically structured for these purposes but their ADMs also seldom demonstrated the "goodwill" necessary even to attempt coordination in the field.³⁷ In addition, the regional structures of the several services were not uniform and this fact served to complicate further the tasks of the regional boards. Finally, the boards were not well integrated into the department's central decision-making process even for the purposes of information and advice.

By the late 1970s, the deputy minister concluded that the department "had failed in its holistic environmental quality mission in the regions. He therefore determined to reinforce the department's regional structures".³⁸ The mechanism he chose in 1979 was in a number of respects unique in the federal government. This mechanism was the creation in five regions of an office of regional director general. These RDGs reported directly to the deputy minister and sat on the deputy's senior management committee. They were given the responsibility of being the department's principal regional official for interdepartmental and federal-provincial relations; they were assigned responsibility for most common support services for all regional offices (personnel, public affairs, finance and administration); the "coordination of all departmental responsibilities in the region"; and, the actual management of some integrated programs.³⁹

With the exception of the integrated programs, however, the RDGs were not given line authority over the regional structures of the several separate services. Nor, with the exception of most common support services, were they given functional authority over these regional structures. The latter still reported to and took direction from their respective services headquarters divisions. The capacities of the RDGs to effect coordination thus depended largely on two related requirements. The first was their relationship with the deputy minister, that is, their ability to have and be seen to have the backing of the deputy for their corporate initiatives at the regional level. The second was their ability to influence corporate decision making at the centre in ways that would support their corporate regional initiatives. Neither requirement, as it quickly became clear, was sufficiently met. As Brown notes, the two were undermined when a new deputy minister created an "executive committee" of ADMs that not only excluded the RDGs but also "by and large supplanted" the senior management committee that included the RDGs "as the premier decision-making body."⁴⁰ In addition, "the RDGs found to

their chagrin that the departmental planning and budgeting system continued to be rigidly compartmentalized on vertical service lines, with virtually no opportunity for meaningful horizontal inputs at the regional level."⁴¹ To make matters worse, the RDGs were given a line responsibility over one program area, namely lands administration, a move that compromised their "corporate" and thus coordinating role *vis-à-vis* the several service regional structures.

Although it would be inaccurate to imply that the department was poorly served by the system of RDGs, the divisionalized pressures in the system were too great. In 1986, the RDGs were eliminated. The department returned to a form of regional boards, now the committee of regional executives (CORE). The committees of regional executives, for each of the five regions, are served by an executive secretary and report to the office of the ADM (corporate planning). This corporate structure for the regions has returned the department, in effect, to its initial model. In this respect, the department is now similar in some ways to the Transport Canada model in that the corporate element, as represented by the executive secretary of CORE, operates primarily through the planning branch of the department.

The Department of Public Works (DPW) is another example of a divisionalized department with a corresponding divisionalization of its regional structures. Until 1986, DPW was organized by way of five divisions under functional ADMs (four for its program and one for corporate managements) and an ADM (operations) with line authority over six regional offices headed by directors general. The latter had full line managerial authority over all DPW regional services as well as their common support services. As a consequence of the Nielsen Task Force recommendations concerning real property management, the mandate of DPW was charged and the ownership of all government property was vested with a bureau of real property management reporting to Treasury Board. In addition, DPW moved to a policy of revenue dependency. In 1986, accordingly, a new organizational design was put into place.

Under this new design, these are four divisions headed by ADMs—accommodation, realty services, architectural and engineering services, and comptroller—with each of the first three program divisions having its own regional structures. The first is headed by a director general in six regions; the second and third by regional managers in each of the six regions. Although there have been some obvious changes at the regional level, an attempt has been made to retain some semblance of the older order. The directors general under the ADM (accommodation), as their titles indicate, are the senior regional officials of DPW. They are to represent the minister and deputy minister in the regions; and they are assigned responsibility, under the direction and authority of headquarters officials, for all

common regional support services (finance, personnel, informatics, administration and public relations). They also chair each regional management committee, which includes the regional managers of the two other divisions. In these ways there is a maintenance of the corporate presence in the otherwise divisionalized regional structures.

This new system has some obvious complications and limitations. For instance, the RDGs do not report directly to the deputy ministers notwithstanding their corporate and representational roles. In this respect, they differ from Environment's previous system of RDGs. They also have under them regional managers for the accommodation service, that is, positions similar to those for the other two services – realty services and architectural and engineering services. In one sense their corporate role is enhanced as a result, given that they do sit "above" the actual management of this service; in another sense, their corporate role is confused if not diminished precisely because it is not always certain which of their two hats they are wearing on any given issue. This, of course, was exactly what happened to Environment's RDGs when they assumed a line responsibility for one service.

Although the PSC is not a department of government, it is, as we have noted, a common service organization insofar as its principal functions are concerned, namely staffing, staff development, language training, and appeals and investigations. The organizational design of the PSC is highly divisionalized with respect to its regional structures. Each of the six branches of the PSC (the above four functional areas plus the corporate systems and services branch and the audit branch which audits the exercise of staffing authority delegated to departments) has its own set of regional offices. The regional offices of the staffing branch are headed by regional directors; those of the other five by regional managers. The regional directors (staffing), as the senior PSC officials in each of those seven regions, are also assigned certain corporate functions. They have line authority over certain common administrative services and report to the executive director (that is, the equivalent of an ADM) of the corporate systems and services branch for this responsibility. They also chair the regional management committee which includes all branch regional managers. Finally, they are members of a recently established senior consultative committee which is chaired by the PSC chairman (as "chief executive officer" of the commission) and includes, in addition to all regional directors, the executive directors of the six branches as well as the head of the "executive secretariat" of the commission. This committee, as its name suggests, is not the PSC's central management committee; the latter does not include the regional directors.

These regional directors, however, do not report directly to the PSC chairman; indeed, they do not even report directly to the executive director of their staffing branch. Rather they report to a director general of regional operations—one of four directors who report to the executive director. As might be expected, proposals have been considered that would enhance the corporate responsibilities, and thus authority, of these regional directors over the PSC's several regional structures. They have not been acted upon, except insofar as recent efforts have been made, as noted, to increase the corporate presence in the regions. This situation, of course, is not unique to the PSC.

Finally, we need to note that there is now a new model of organizational design with the establishment of two separate regional development agencies for Atlantic Canada and Western Canada. These agencies are not departments in the traditional form, as we have noted, but neither are they Crown corporations with an arm's length relationship to ministerial direction. Although they are now just being fleshed out as organizations, two points need to be emphasized in regard to their design. First, in each case their most senior official is headquartered in the regions, Moncton for ACOA and Edmonton for WDO. This is an innovation that is unprecedented. Second, the heads of the provincial offices report directly to headquarters and are obviously fully involved in the senior management of the agencies. These arrangements entail a good deal of delegated authority from the minister to agency heads and from them to their provincial offices. This structure builds upon the decentralized DREE model but takes it one step further by virtue of its spatially tailored approach in having separate agencies for different regions. As agencies, rather than departments, furthermore, an even greater degree of delegated authority is made possible in comparison to the DREE model.

Summary

The preceding account of organizational design for department management illustrates just how complex a task it is to structure a department to achieve differentiation, divisionalization, deconcentration and decentralization and at the same time to establish corporate mechanisms to achieve coordination and integration. As we have noted, there has not been a government-wide plan or model for doing so. In a certain sense all departments appear to be organized *sui generis*, although, as we have attempted to show, there are some common patterns. What is most clear perhaps is the fact that there has been an increased recognition of the need to foster both horizontal

linkages at the regional level of management and vertical linkages between national and regional managers.

Inherent in the recognition of this twofold need is an acknowledgement that management at the regional level is more than simply "operations" and therefore that regional managers must not only possess some measure of delegated authority but also have a contribution to make to policy development and program design at the national level. There are, to be certain, variations in the degree to which these conclusions lead to *de facto* decentralization in these two respects, including in a few cases movement in the opposite direction. These variations are the consequence of a number of determinants and it is to these that we now turn.

Notes

1. See Hodgetts, *The Canadian Public Service*, pp. 55-83.
2. See John A. Chenier, "Ministers of State to Assist: Weighing the Costs and the Benefits," *Canadian Public Administration*, Volume 28, Fall 1985, pp. 397-412.
3. See John Langford, "The Identification and Classification of Federal Public Corporations: A Preface to Regime Building," *Canadian Public Administration*, Volume 23, Spring 1980, pp. 76-104; and D.P. Gracey, "The Real Issues in the Crown Corporations Debate," in Kenneth Kernaghan, *Public Administration in Canada* (5th ed.; Toronto: Methuen, 1985), pp. 122-140; and Robert F. Adie and Paul Thomas, *Canadian Public Administration* 2nd Ed. (Scarborough: Prentice-Hall Canada, 1987), Chapter 10, pp. 374-424.
4. See Phidd and Doern, *The Politics and Management of Canadian Economic Policy*, pp. 263-314; and Doern, "The political administration of government reorganization."
5. Hodgetts, *The Canadian Public Service*, p. 113.
6. H.L. Laframboise, "The Future of Public Administration in Canada," *Canadian Public Administration*, Vol. 25, No. 4, Winter 1982, p. 513.
7. See Timothy W. Plumptre, "New Perspectives on the Role of the Permanent Head."

8. See Michael J. Prince, "Policy-Advisory Groups in Government Departments," in G. Bruce Doern and Peter Aucoin (eds.), *Public Policy in Canada* (Toronto: Macmillan, 1979), pp. 275-300.
9. Lambert commission, p. 234.
10. *Ibid.*, p. 236.
11. *Ibid.*, p. 241.
12. *Ibid.*, p. 232.
13. Also see Jennifer McQueen, "Integrating human resource planning with strategic planning," *Canadian Public Administration*, Volume 27, Number 1, Spring 1984, pp. 1-13.
14. Gaetan Lussier, "Planning and Accountability in Employment and Immigration Canada," *Canadian Public Administration*, Volume 28, Number 1, Spring 1985, p. 134.
15. Glassco commission, pp. 49-50.
16. *Ibid.*, p. 50.
17. Hodgetts, *The Canadian Public Service*, pp. 225-232.
18. *Ibid.*, p. 229.
19. *Ibid.*, p. 228.
20. Michel Crozier, *The Bureaucratic Phenomenon* (Chicago: University of Chicago Press, 1964).
21. Love, "The Continuing Relevance of the DREE Decentralization," pp. 437-38.
22. *Ibid.*, p. 438.
23. *Ibid.*
24. *Ibid.*, p. 439.
25. *Ibid.*, p. 443.
26. *Ibid.*

27. *Ibid.*
28. See Donald Savoie, "Government Decentralization: A Review of Some Management Considerations," *Canadian Public Administration*, Volume 28, Number 3, Fall 1985, pp. 440-446.
29. Janet Smith, associate deputy minister, Transport Canada, speech to senior management officials of the department, June 18, 1986, p. 2. See also Ramsay M. Withers, "Turning the Organization Around," a paper prepared for the Institute of Public Administration of Canada, 19th National Seminar, June 11-13, 1986.
30. See John Langford, *Transport in Transition* (Montreal: McGill-Queen's University Press, 1976).
31. Smith, p. 8.
32. *Ibid.*
33. Transport Canada, *Information*, October 22, 1986, p. 1.
34. *Ibid.*
35. M. Paul Brown, "Environment Canada and the pursuit of administrative decentralization," *Canadian Public Administration*, Volume 29, Number 2, Summer 1986, p. 222.
36. *Ibid.*, p. 225.
37. *Ibid.*
38. *Ibid.*, p. 229.
39. *Ibid.*
40. *Ibid.*, p. 233.
41. *Ibid.*, p. 232.



Chapter IV

Determinants of Structure: Centralization and Decentralization

The extent to which decision making in government is centralized or decentralized is not simply an either/or matter. No complex organization is either totally centralized or totally decentralized. Rather, the phenomenon of centralization-decentralization is multidimensional. Some parts of an organization at any given time will be more centralized or more decentralized than other parts. Finally, organizational changes in those regards may not be easily discerned by reference to formal organizational design: management practice and informal relationships may be at variance from the formal structure or, as is perhaps more often the case, have much room for variation within it.

As the preceding chapters make clear, numerous factors affect how centralized or decentralized an organization will be. These determinants must be considered one at a time if a sufficiently comprehensive account of them is to be presented. This chapter seeks to provide such an account by examining the following factors: environment; power; technology; culture; and communications.

Environment

The political environment within which governing takes place is normally regarded as the most centralizing determinant of public administration. This is so for at least three major reasons. First, ministers, individually and collectively, wish to receive credit for

decisions that they perceive will be to their partisan advantage. Visibility is crucial if such advantage is to be secured. This is especially the case in regard to the distribution of goods and services wherein, relatively speaking, there are more winners than losers, or at the least where the winners can be singled out and the losers not identified. This factor provides a good deal of the explanation as to why even small-scale distributions, such as grants or projects, are matters often reserved for ministerial decision. As Doern points out, the organizational design for the Department of Regional Industrial Expansion (DRIE) was affected by this very fact.¹ Ministers were hesitant about the originally proposed decentralized structure for this department because it meant that there would be a delegation of authority to regional administrative officials to decide on those cases not considered "big ticket" expenditures, that is, those which are "good news" to the recipients and which do not usually provoke criticism from non-recipients. The result of this hesitancy was that DRIE's regional structures were given less authority than was the case for the earlier Department of Regional Economic Expansion (DREE) for the DREE experience had been judged to have reduced the visibility of ministers, both its own and regional ministers—the latter because they have always been interested in announcing discrete distributive decisions in their regions.

The second major reason the environment is normally regarded as a centralizing determinant stems from the obvious desire to avoid political embarrassment. This factor helps to explain why regional officials are limited in their financial and regulatory decision-making authority with respect to what otherwise would be considered minor cases. Grants for some kinds of cultural projects or to certain voluntary organizations which involve only small amounts are in many cases reserved for ministerial decision because political sensitivities are involved. Similarly, what otherwise would be considered routine regulatory decisions are often centralized for the same reason. These sorts of cases illustrate very well the practice of ministerial responsibility in that ministers are considered responsible whether they make the decisions themselves or delegate authority for them to their officials. Cautious ministers will obviously prefer not to delegate even when this means a considerable overload at the centre.

Third, ministers wish to be seen as responsive to public demands, special interests, their individual electoral constituencies, their regional constituencies and their party. Ministers must thus appear to be in charge, that is, to be able to respond without the administrative apparatus and its red tape constituting an obstacle to ministerial responsiveness. Needless to say, this creates a tendency toward centralized decision making especially in practice if not

organizational design: ministers, accordingly, will often simply take the initiative and ignore formal processes and procedures.

As a generalization, the political environment of government produces a strong centralizing force in both formal design and in decision-making behaviour. It does this in a pervasive manner. The prime minister and cabinet tend to take corporate decisions in lieu of individual ministerial decisions on a wide range of matters. The technostucture that serves the corporate executive will seek to control the decision-making processes of government to avoid surprises with political ramifications. The same approach will be adopted within individual portfolios. Moreover, it is not only political staff, as found in the PMO or the minister's office, who are concerned with the political environment: public servants also are expected to protect their ministers. Not surprising, from this perspective, is the view that if the Increased Ministerial Authority and Accountability (IMAA) initiative does actually succeed in delegating more authority to the individual ministerial/departmental level then the response will be for individual ministers to want, and for departmental officials to provide, departmental rules and regulations to substitute for central agency rules and regulations in order to protect ministers from surprises emanating from lower down in their departmental hierarchies.

Notwithstanding the strength of this generalization, however, there are forces within the political environment that push for a measure of decentralization. There are, for example, some kinds of politically sensitive decisions which governments have concluded, either from the outset or as a result of painful experience, should be delegated to agencies that can operate at arm's length from ministers. This means that ministers need not take responsibility for the decisions made by these agencies. Examples of these abound. There are, for instance, cultural and scientific granting agencies (e.g., the Canada Council and the Medical Research Council). There are numerous regulatory agencies (e.g., the Atomic Energy Central Board and the Canadian Transport Commission). And, of course, there are a host of commercial agencies (e.g., Petro Canada and Air Canada). As we have noted, delegation of authority to these agencies, while certainly an exercise in decentralization, removes them for the most part from the regular structures and processes of ministerial departments. The result is that they are "structural heretics," as Hodgetts labels them, in relation to the cabinet system of government.²

More relevant to our concerns here is the second set of environmental pressures which push for decentralization. There are those which demand that decision making occur at the point of contact closest to the actual implementation of policies and programs.

Responsiveness, from this perspective, requires a certain measure of decentralization to the regional structures of departments. Prime Minister Mulroney's statement that the Nielsen Task Force on Program Review would seek to ensure that decision making be decentralized as far as possible to those in direct contact with client groups, was clearly in response to these demands. The organizational changes to the Department of Fisheries and Oceans (DFO) of 1986 were in some large part a direct result of this program review. DFO's regional structures were enhanced as a consequence of the downsizing of national headquarters, the integration of management at the regional level, and the direct reporting relationships between regional offices and the deputy minister.

The DFO example is a particularly useful illustration of decentralization in response to environmental pressures. It also illustrates the two dimensions of decentralization that are required if a department is to be responsive. The first is that the regional management structure be an integrated one: client groups should be able to relate to regional officials in a way that does not require them to cope with a differentiated or divisionalized authority structure. Rather, the reverse should be the case: they should have the benefit, in present day jargon, of one-stop shopping. The bureaucracy, in other words, should sort out the red tape, overlapping authorities and intradepartmental issues among itself and not impose this obligation on citizens. The second dimension is that the chain of command in departments should be such that decisions that must be taken by higher authorities are processed with the minimum number of steps. Departments which have their regional structures report directly to the deputy minister clearly are able to be more responsive on this criterion than are those which do not. Equally important in this regard is the greater likelihood that regional directors will have the capacity to influence policy development and program design in ways that make policy implementation and program delivery more responsive to client groups in the regions. It should also be noted in this regard that deputy ministers and assistant deputy ministers are more likely to trust regional directors to exercise delegated authority properly if they have more direct contact with them.

The DFO is not, of course, the only department with this kind of regional structure, as we have seen. The recent reorganization of the Department of Indian Affairs and Northern Development (DIAND) was in response to similar demands arising from the particular circumstances of Indian communities. This new organization recognizes explicitly, for the first time, that the department's policies and programs, and thus its national and regional structures, must respond to the needs of Indians as members of communities, that is, not simply as discrete individuals, and as communities which are

themselves spatially organized. The combined effect of these two factors has resulted in the organizational design, described previously, that has both the required integrated and vertical dimensions.

The Department of Employment and Immigration (CEIC) was something of a forerunner in this approach. Prior to its reorganization in 1976-1977 it was a highly deconcentrated organization with some measure of decentralization. Its 1976-1977 reorganization was a much more explicit design to effect decentralization. As Phidd and Doern point out, this reorganization was designed to:

- (1) eliminate, to the extent possible, central operations and control and the transfer of these responsibilities to regional managers
- (2) redefine the role of the staff at headquarters in Ottawa so that they would be concerned with policy and program development rather than with administration
- (3) reinforce the executive-level staff in the field by expanding the staff almost 100 per cent
- (4) redefine the position and role of managers in the field (in effect their jobs were upgraded)
- (5) shift the department from a hierarchical structure to a more horizontal one³

This new approach, in short, went from being primarily a concern for the areal administration of a "national employment strategy" to a "community approach to job creation."

The effectiveness of this new approach was clearly demonstrated a decade later when the Canadian Jobs Strategy of the Mulroney government was introduced. This new policy initiative has sought to integrate a number of the programs of CEIC but to do so in ways that allow "flexibility to meet changing regional and local needs, with room for innovation" and "local business, labour and community groups to meet with government representatives to discuss local employment issues and views."⁴ Not only did this new policy coincide with the "Philosophy of Management" of the CEIC, there was already in place the regional structure to absorb the new policy. Although reorganization was required, it was built upon the essential features of what was already in place. Indeed, the principal staff work to effect the required reorganization was headed by a regional director general.

As noted, perhaps the epitome of this political response to demands for decentralized decision making is the recent creation of

the Atlantic Canada Opportunities Agency and the Western Diversification Office. In these two cases, delegation of authority goes further than is the case of any of the above examples. Moreover, for ACOA, an advisory board has been established that is not quite a "board of directors," as in the case of Crown corporations, but which nevertheless is more than simply a consultative mechanism.

These examples do not exhaust the universe of demands for decentralization. They serve to illustrate, however, the kinds of demands that make decentralization necessary if the government is, and is to be seen, to be responsive. What is especially critical here is that these demands are not simply for a deconcentration of operations. They are for a decentralization of authority to field officials—to those who interact directly with citizens at the regional, district and local levels. There are limits to how far down the chain of command this decentralization can be effected but the direction of the demands is clear.

In the environment within which the Government of Canada operates there is, of course, another major political factor that must be considered, namely the demands of provincial governments. So far in our analysis we have not paid attention to this factor, except in passing reference to the intergovernmental programs of the Department of Regional Economic Expansion (DREE), most notably the general development agreements (GDAs) and their subagreements, and the successor to GDAs—the economic and regional development agreements (ERDAs) and their subagreements. We have purposely done so in order to make clear that decentralization in the Canadian context is not simply restricted to the federal-provincial dimension of our system of government with its system of divided and yet interdependent jurisdictions.

Our federal system has given rise to the phenomenon of "executive federalism" whereby ministers and senior officials of the two orders of governments interact to arrange for joint programs between the federal and provincial governments. There has been a long tradition of such executive (and bureaucratic) federalism in Canada.⁵ This has the effect, in some respects, of decentralizing the federal system of government. But it does not necessarily imply decentralization within any single order of government, federal or provincial. Indeed, to the degree that intergovernmental relations are approached as a corporate function of government, they have had a centralizing effect: hence the establishment of corporate portfolios for federal-provincial or intergovernmental relations and the creation of units within the technostructure to serve these portfolios—the Federal-Provincial Relations Office, for example.⁶

At the same time, however, the federal government has had to decentralize in order to deal with provincial governments within the

context of various programs. The decentralizing of DREE in 1973, for instance, was in part due to the need to be able to interact directly and separately with each of the 10 provinces for the purpose of developing and designing general development agreements and subagreements with each province. DREE's regional structures thus had to be able to negotiate with provincial officials in provincial central agencies and departments. As noted, DREE's decentralized structure was not well synchronized with the vast majority of other line departments of the federal government involved in GDA subagreements. This meant much travel by DREE regional officials to Ottawa in order to deal with headquarters officials in these line departments and to secure their participation and agreement.

The 1982 reorganization of the economic development policy sector which saw the elimination of DREE and the creation of the offices of the federal economic development coordinators (FEDCs) in each province as part of the Ministry of State for Economic and Regional Development (MSERD) was undertaken in part in order to assign responsibility for regional development not only to the cabinet committee for economic and regional development (CCERD) collectively but also to each of the individual portfolios which comprised this sector. To this end, all departments in this sector were directed "to improve their regional capabilities and to build the regional dimension into their internal policy development and decision-making process" since "responsibility for economic development in the regions ... [would] not be the distinct mandate of a single department." In doing so they were to take advantage of "the availability of specialized personnel (individuals already in regions and now part of DREE)."⁷ The intended decentralization of line departments to enhance their regional capabilities was to enable these departments to play a more effective role at the regional level in the design of subagreements with their provincial government counterpart departments under the new system of economic and regional development agreements (ERDAs). This new system also called for a greater degree of direct delivery by federal line departments of regional development programs (that is, programs without provincial government participation).

The stated intentions of the 1982 reorganization were not fully realized, however. Some decentralization of departments within the economic development sector took place, as noted, but not primarily because of the MSERD structure; and, in a number of departments there was previous little response at all. The Turner government eliminated the portfolio of minister of state for economic and regional development and as well, of course, the ministry of state that served it. The FEDC structures, nonetheless, survived and were transferred to the portfolio of Regional Industrial Expansion. In 1987, the FEDCs of

Atlantic and Western Canada were integrated with the two new regional development agencies for these regions: Atlantic Canada Opportunities Agency (ACOA)⁸ and Western Diversification Office (WDO)⁹ respectively. As such they are now the principal contact points for relations between the federal and provincial governments in these regions for intergovernmental regional development initiatives. In this respect, the 1987 reorganization provides for an even greater capacity for the federal government to conduct intergovernmental relations in a more decentralized mode. This is, of course, in line with the present federal government's posture *vis-à-vis* the provinces more generally.

Power

In the design and especially the actual management of government organizations it is clear that authority and power are often not synonymous. The former is meant to encompass the latter but often does not capture all dimensions of it; the latter, in short, is a more dynamic variable. In all organizations there are several bases of power and in the actual management of organizations even those with formal authority must assert their claim to exercise the same, that is to exert power to get others to do what they want done. Prime Minister Mulroney's previously quoted statement, before he assumed office, that "in a Tory government the Minister will run his department. And any deputy minister who doesn't understand that will have a career notable for its brevity," was obviously more than a simple pronouncement on our formal system of constitutional authority.¹⁰ It was a claim to the effect that power as well as formal authority would be exercised by ministers.

The centralizing effects of power, as the above quotation illustrates, are often expressed in terms that pit formal authority against informal power. Prime Minister Trudeau's efforts to assert the corporate authority of the cabinet, as we have noted, were as much an attempt to ensure that individual ministers of line departments would not become captives of their departmental officials as they were an attempt to provide for policy coordination. Prime Minister Turner's elimination of both the ministries of state which served cabinet committees and the mirror committees of deputy ministers that were part of this design was a deliberate decision to reduce the collective influence of bureaucrats over the individual authority of ministers. The conscious development of political staff to serve the prime minister, cabinet and individual ministers, has constituted another device to counter the power exercised by bureaucrats in both central agencies and departments in advising the government of the day. This development has been most pronounced in, although clearly

not unique to, the Mulroney government. Each of these efforts has been undertaken in order to reassert political control over the apparatus of the state. Not surprisingly, therefore, these kinds of efforts at centralization are generally most evident at the beginning of a new regime, particularly after a change in the governing party.

In a number of important respects, the centralizing push of power is a function of personal styles and ambitions.¹¹ Both Trudeau and Mulroney, in contrast to Pearson or Turner, established structures to ensure that they could have control over their governments. Trudeau did so primarily by way of a structure that gave great influence to the Privy Council Office (PCO) as the principal mechanism for corporate coordination; Mulroney has done so by giving great influence to the Prime Minister's Office (PMO) as the principal mechanism for political coordination. In each case centralization was sought. This centralizing tendency is not restricted solely to prime ministers, however. Lloyd Axworthy, for instance, evidenced this tendency in more than one portfolio.¹² His centralization of influence in his office as minister of transport constitutes an example *par excellence* of a minister using his political staff as well as placing bureaucratic staff directly in his office to provide him with the personnel resources to manage his portfolio in a manner that allowed him to intervene in a wide range of policies and programs and at a very detailed level.

The Axworthy example is not an isolated one, of course, even though his efforts were more highly publicized (especially after his tenure as minister) than is usually the case. Axworthy was also a regional minister and in part his initiatives were as a function of this role. In the Mulroney government, to take a more recent example, a considerable centralization of power has occurred under the deputy prime minister, Donald Mazankowski, as the most senior regional minister for the West, in his efforts to develop a policy strategy and structure for Western economic development policy.

Efforts to assert political control are not restricted to ministers, however. The political arm of government, as constituted at the centre under the PMO—and now Deputy Prime Minister's Office (DPMO)—and at the departmental level under ministerial chiefs of staff, has had its expected centralizing effects. Decision making becomes subject to increased political influence to the degree that political staff have influence over ministers. To the extent that this occurs there is accordingly greater competition, as the Lambert commission put it, among those who seek to influence decision making.¹³ As a consequence, those deputy ministers who are primarily motivated by their capacity to influence decision making are likely to centralize power in their structures, whether or not formal organizational changes are made by them.

The phenomenon of an increased politicization of decision making is not the only determinant of the centralization of power in government. Power can be centralized at the bureaucratic level as well. This was best illustrated during the Trudeau regime in the efforts of the PCO under Michael Pitfield to ensure integrated and coordinated policy development. Pitfield personified this excessive centralization of bureaucratic power to the "superbureaucrats" in central agencies not because he stood for a particular ideological persuasion in terms of substantive public policy that he wished to impose top-down on line departments but rather because he regarded governing as an exercise in central coordination.¹⁴ As he put it: "My own view is that dealing with the governmental problems of which so many Canadians complain is a matter of process and machinery more than it is a matter of personalities and philosophies."¹⁵ A preoccupation with process and machinery is bound to result in bureaucratic centralization when it is coupled with a concern for overall policy coordination, for the latter can occur only at the level of the strategic apex of decision making.

In addition to the styles and ambitions of individuals, however, there is a second force that pushes for centralization. This force results from the fads and fashions of certain managerial techniques. From this perspective, the fascination with coordination that was so obviously pre-eminent during the Trudeau regime was as much a function of the temper of the times as it was due to the personal disposition of Trudeau, Pitfield or those others who embraced what has been labelled rational planning or rational management. The deliberate design of processes, such as the planning-programming-budgetary system (PPBS), was meant to overcome the organizational pathologies that lead to "disjointed incrementalism," wherein departments pursue their own organizational interests. The introduction of PPBS thus entailed a significant centralization of power under the Treasury Board and especially its secretariat. The introduction of program evaluation and the increased focus on accountable management, particularly in regard to financial responsibilities, have had similar effects. In all of these examples, there has been an emphasis on standardization as the technostructure has sought to ensure that line departments conform to centrally imposed techniques of management.

One effect of the power of the central agencies is to enhance the power of the technostructure **within** departments. It is not surprising, therefore, that program managers within departments often regard those divisions in their departments with responsibilities for functions such as financial management, personnel administration or program evaluation as simply extensions of central agencies into their own departments. They do so because those having these

responsibilities often seek to exert power by reference to the rules and regulations of central agencies even when the latter have delegated authority to departments or have issued guidelines rather than rules or regulations. It is also often the case that those with such responsibilities regard central agencies, rather than senior departmental officials, as their reference point for promotions within their professional specialties—specialties that are separate from general management.

There are, nonetheless, aspects of power that push in the direction of decentralization. At the level of the strategic apex this is most often seen in the efforts of ministers to get their own way, that is, to avoid or to circumvent the centralizing dimensions of corporate management. Hence, notwithstanding the attempts of the Trudeau regime to provide for coordinated collective decision making for example, there were, as we have noted, several ministers able to do "end runs" around the system. These ministers were powerful precisely because they were able to succeed in such individual initiatives, at least on some important matters. They were able to do so for several reasons. First, no prime minister can ignore the fact that some ministers must be given a measure of freedom because of their standing in the party or in their regions, or with certain interest groups or the public. Second, no prime minister can be on top of all policy issues at any given time. Third, some ministers are simply sufficiently able and willing to take initiatives so that they will achieve their objectives one way or the other. Furthermore, this fact is often recognized by both their ministerial colleagues and the bureaucracy. The pecking order in the cabinet, in short, does represent a very real power structure.

At the bureaucratic level, power is equally at play in the direction of decentralization. Senior departmental officials, including deputy ministers, do not easily bend to central agency demands.¹⁶ Again, of course, there is something of a pecking order at work. Occasionally this will result in one or more departments actively resisting the coordinating initiatives or controls of the technostucture or common service departments. More often, it is simply a case where passive resistance results in departments responding as they see fit. The various ways in which departments have undertaken program evaluations to serve departmental management objectives is perhaps a good example of the latter. The degree to which deputy ministers have treated their senior financial or personnel managers as integral components of their central management teams is another.

The capacity of departments to resist centralized control and coordination is largely a function of their substantive policy expertise, particularly as this relates to policy implementation and program delivery.¹⁷ A similar kind of decentralized thrust also operates in the

relations between departmental headquarters and regional managers and their field staff. This is especially the case where the major program components of a department are managed almost exclusively in the field.

Fashion has only recently favoured decentralization but it has clearly come upon the Canadian scene. In part this is due obviously to a reaction against what has been regarded as excessive centralization. But it also owes something to comparative government and private sector approaches whereby decentralization has been regarded as the appropriate organizational response to the management of complex organizations operating in dynamic and diverse environments. The IMAA initiative of Treasury Board, the administrative reform program of the Public Service Commission, the decentralization mandate of the Nielsen Task Force on Program Review, and the various organizational changes to enhance the regional structures of departments are all reflections of this fashion. Indeed, some measure of the skepticism expressed in various quarters is due precisely to the fact that these initiatives are viewed as fads that will pass.

Technology

What governments do cannot but affect the degree to which they are centralized or decentralized. As we have already noted, the most extreme form of decentralization—the use of non-departmental boards, commissions and corporations—has occurred in regard to some kinds of governmental functions, most specifically regulatory and commercial activities. Almost all of the second are organized at arm's length from direct ministerial or governmental management; a significant proportion of the first is as well. There are, nonetheless, some significant variations in organizational design and practice as a consequence of the variety of things the government does and how it does them.

The actual technologies used by the federal government range from highly professionalized undertakings, such as those found in the fields of health care delivery, tax auditing or the administration of justice, to highly scientific and technical operations, as are found in the departments of Communications, Public Works, Transport or Environment, to the more generalist administrative functions found in Supply and Services, Labour, Welfare, Employment and Immigration or Industrial Development. In each field there is a range of complexity and the above examples are not meant to suggest that organizations fall neatly into single categories. At the same time, however, it is clear that centralization is likely to be more pronounced where the processes used, the work performed, or the skills required can be standardized. Decentralization, on the other hand, is likely to

be more pronounced, all other things being equal, when these conditions do not obtain.

The very notion of bureaucracy as applied to government organization generally is in some respects a misleading one. There are certain management functions, such as budgeting or financial and personnel administration, which are characteristic of bureaucratic organizations in that much standardization has been sought if not always obtained. In some other functions, such as the issuing of payments to individuals who qualify for government assistance of one kind or another, there is a significant degree of routinized work that can be standardized. In many areas, however, the functions of the bureaucracy are much more complicated and less subject to the machine-like model of an assembly line. To the degree that standardization of any kind occurs, it takes place within departments and, in many instances, only in different divisions of departments where specialized programs are designed and carried out.

Standardization in government thus tends to separate into two general areas: management functions that obtain across the government; and specific program functions which are normally unique to a department or even a division thereof. The technologies associated with the former, as we have noted, have been a centralizing force. The technologies associated with the latter have been a decentralizing force. But the impact of each is not that simple. In the first instance, it is increasingly clear that program managers, from ADMs downwards, must have some measure of flexibility against standardized management practices in order to be effective in the implementation of policies and programs. The individual department tailoring that is central to the Public Service Commission's administrative reform program is an example of this flexibility within a general framework of common service personnel staffing policy. At the same time, however, there are increasing demands for performance measurement systems that can generate information to be used in the central planning, evaluation, and budgeting systems of government. On the other hand, the second instance of standardization, that which occurs within individual programs, has resulted to some degree in an increased degree of departmental fragmentation. It has done so as a result of the increased degree of professionalization or technical specialization that characterizes many program areas. It is this kind of development that has led to the excessive divisionalization experienced in departments such as Transport and Environment. In the Department of Transport, as we have noted, this has led to a deliberate attempt to centralize the department, especially for corporate staff and support staff functions, and to break up its major division, the former air administration, in order to counter the perceived effect which this agency had on the fragmentation of

transport policy. In the Department of Environment this same phenomenon led to the collapse of its integrated regional structures as represented by the offices of regional directors general.

Professionalization and technical specialization in the technologies deployed in departmental programs thus often serve to divisionalize departments in ways that restrict program standardization to these divisions in terms of work processes, outputs or skills. The task of departmental managers, at both headquarters and regional levels, is to provide for coordination without standardization, that is, either by direct supervision, an option with limited utility in complex organizations of any size, or by mutual adjustment, the normal but more demanding option. The usual effect of this divisionalization, and the required coordinating mechanism of mutual adjustment, is to centralize departments so that mutual adjustment takes place at the highest level in the structure. Only with very considerable effort can an organization be managed so that this coordination takes place, at least in part, at the regional or local level.

To the degree that a department is integrated in its technology then a decentralized mode can be used. The departments of National Revenue (Taxation) and Justice are examples of this. In these instances there can be a high level of standardization, based especially on work processes and skills, but one which allows for a measure of decentralization and integration at the regional and local levels. Decentralization and integration are possible because discretion can be exercised within a generally recognized set of norms and because exceptions that require consideration at senior levels are more easily identified.

Finally, those departments which are responsible for relatively less professionalized and technically specialized functions of government (even if, as is the case for most programs, a degree of training and experience is required of program staff) can be more easily decentralized and then integrated at the regional level. Indian Affairs and Northern Development, Employment and Immigration, Regional Industrial Expansion, and Veterans Affairs, to take a few examples, are departments of this type. This is not to say that standardization cannot be applied in these instances, only that it is relatively easier to accomplish this according to administrative criteria. They are not driven by technological considerations that are firmly rooted in professionalized or technically specialized functions. This very fact, of course, means that they can also be more easily centralized for policy and program design purposes.

Culture

A fourth determinant of organizational structure and one that, like power, is usually considered to be informal and yet at the same time critical is organizational culture. At its most general level the influence of organizational culture in the Government of Canada on the design of structure since the early 1960s has been schizophrenic. On the one hand, there has been the political emphasis on individual ministerial responsibility and the administrative emphasis on managerial decentralization; on the other hand, there has been the political emphasis on collective ministerial responsibility and the administrative emphasis on centralized coordination. There are ways, of course, in which these apparent opposites can be reconciled, but for the greater part of our recent history they have been in considerable tension. To the degree that ministers and senior mandarins do influence the organizational culture that pervades government, it can be said that the unresolved contradictions between political initiative/professional management and policy integration/bureaucratic control have played havoc with the establishment of a coherent philosophy of public administration. If anything, from 1965 to the present has been a lengthy period of transition from the last stable organizational culture, that which emerged in the 1930s and lasted for at least a decade after World War II. This period of transition has lasted for so long simply by virtue of the tremendous expansion and diversification of the federal bureaucracy from the late 1950s through to the mid-1970s. Although it may be still too soon to determine whether a new generalized culture has taken hold, we earlier suggested that there is now emerging a new philosophy of management. A philosophy of management does not constitute an organizational culture, however, until it has firmly taken root.

Not surprisingly, therefore, where one most readily sees signs of organizational culture is in more established organizational units. Here is where one can discern the effects of such cultures on organizational structure. Four examples serve here to illustrate these effects.

The first is National Revenue (Taxation). Its corporate or organizational culture has placed a high premium on the development of its staff, especially those singled out for management positions. One consequence of this has been a high retention of such staff and a fair degree of mobility between headquarters and the regions. The result is an organization that can effectively decentralize because officials have a degree of exposure and sensitivity to both levels and the management issues that can and should be dealt with at each. All of this is facilitated by the high degree of policy and program continuity that has characterized this department and by the professionalization of its staff. But the organizational culture that has resulted is still a separate factor.

The second example is Public Works. Here one finds an example of an organization that, until a very recent change in mandate and structure, possessed a well defined culture which enabled it to resist external pressures to change its ways. Indeed, its corporate culture was seen to be so pervasive throughout the organization, at headquarters and in the regions, that when change was finally forced upon it by the Mulroney government, following the Nielsen Task Force on Program Review, drastic surgery had to be carried out. A crucial part of its mandate was transferred to the Treasury Board. More significant, however, from the perspective of its culture, there was a wholesale housecleaning in all its senior ranks at headquarters and in the regions. The result was a strengthening of central control in order to impress upon the regional structures especially that the new regime was serious and intended to have its way. Organizational resistance down in the trenches was to be overcome, unlike prior efforts with essentially the same policy thrust. Only time will tell, of course, whether the surgery has been a success.

The third example is Transport. Here one confronts a department with strong organizational cultures, as opposed to a single culture. These cultures have been aligned with its three divisions and have been most pronounced in the air and marine divisions. Based upon a high degree of technical specialization, differing regulatory responsibilities, as well as a measure of vocational commitment to the different modes of transportation, these divisions were able to function as highly integrated hierarchies in their own right. As such, they too were able to mount effective resistance efforts to both organizational and policy change proposals and initiatives. The most recent battle, however, was decided against them. Again we see a case where the new organizational design was a conscious effort to break down these separate corporate cultures in favour of the creation of a single corporate culture. As previously noted, the air administration was divided into two divisions, all departmental technostuctures and support staff had their reporting relationships realigned from the separate divisions to headquarters, and a new regional presence to promote the single corporate culture was placed in the field but separated from regional program managers. Increased centralization was the intended and achieved result.

The fourth example is that of Employment and Immigration. Here, too, the corporate culture is well established, but not so much as a result of professionalization or technical specialization as a function of a commitment to the provision of services in response to regional and local needs. The strength of this corporate culture has been well illustrated by its capacity to withstand a considerable degree of political interference in the design and delivery of its programs, especially during the first half of the 1980s and, as noted, to

accommodate a new policy initiative of the Mulroney government, the Canadian Jobs Strategy. In neither instance was the organization required to alter its basic design as an integrated and decentralized department.

The above examples serve to illustrate the importance of an organization's culture as a factor in organizational design. Of all the factors to be considered, culture is perhaps the most illusive. It is so because it is itself dependent upon a number of other factors; it is also the most informal. Nonetheless, it is not one to be ignored in either the overall organizational culture of public administration or the several departmental or divisional cultures.

Communications

The final factor to be considered is that of communications, that is, the form and content of information processing for the purposes of management. We single out this factor for separate consideration for essentially three reasons. First, the very functions of governments require that a great deal of information be used in government. This is because governing does not admit of a "bottom line" that would enable either the government as a single entity or the vast majority, if not all, of its component parts to operate with a single set of criteria for decision making or evaluation. There is, of course, an expenditure budgeting system that requires all activities to be translated into expenditure terms but this system clearly does not encompass all decision making. Even in the most technical economic sense one can distinguish between efficiency, effectiveness and economy in ways that do not apply, for instance, to the private economy where the distinctions between these three considerations can often be collapsed into one general criterion—the bottom line of the financial balance sheet. The information systems of government need to be more complex for there are multiple objectives which in themselves are often in tension and even in conflict. What may be efficient may not be effective and *vice-versa*.

The second reason is that much government information consists of "soft" data. Qualitative criteria are applied in giving meaning to a good deal of the information used, whether this be for the purposes of planning, the analysis of options, performance measurement, evaluation or reporting. Information of this sort invariably increases the total volume of information used because the "shorthands" of quantitative or "hard" data for the purposes of presentation and manipulation cannot be deployed.

The third reason is that the high degree of deconcentration found within the Government of Canada requires communications networks of considerable scale and diversity. This is particularly the case when

decentralization is combined with deconcentration so that decision making as well as operations are dispersed geographically.

At present there are two sets of demands extant in the arena of public administration that affect communications and which in turn affect organizational design. First, there are the demands from Parliament and its agencies, especially the Office of the Auditor General, that the government provide more and improved information on the performance of programs as well as on program evaluations. Performance measurement is not a new phenomenon but it certainly has been given a priority in recent years that has raised the requirements of management in this regard. Within government, the consequences of restraint have been such that this priority has been taken seriously. As might be expected, it has had a centralizing effect. This is the expected result precisely because it is at the centre where the government—cabinet and individual ministers—must not only interact with Parliament but coordinate its several parts. The communication network in this case requires that the form and content of information be standardized and imposed on departmental managers. The information generated in these standardized ways thus serves internally to give a great deal of control to the techno-structure, both in the central agencies and within department headquarters. The so-called new information technologies obviously facilitate this centralized control function.

The second set of demands for more and improved communications emanates from the needs of decision makers at all levels to incorporate soft data or intelligence into their policy development, program design, program review and evaluation and ongoing management decisions. In many, if not all, departments the kind of hard data produced by formal performance measurement or program evaluation activities, while serving the purposes of external or internal reporting requirements, is of limited value in the communication networks involved in managerial decision making.¹⁸ Too often the first and more formal kind of information is dead information, that is, of little direct relevance to the issues at hand, or, it is simply not packaged in ways that are digestible for day-to-day problem solving. Its volume constitutes an information overload. In addition, it rarely contains the kind of qualitative judgments that can only be offered by those who are close to the point where the information was generated in the first instance and who can bring intelligence on what is happening in the trenches to bear on the required decisions. This second set of demands has a decentralizing effect for it is primarily departmental managers, both at headquarters and the regions, who can provide such judgments on soft data and intelligence.

In a certain sense there is an inevitable tension between the two sets of demands outlined above. The first is essentially a control

function and a measure of centralization and standardization is required. The second is essentially a management function and to the degree that an organization generally or at least in some parts delegates authority for management purposes it will have a decentralizing effect. This is not to say that improvements in the operation of the former will have no effect on the latter. Indeed, this is possible for two reasons. First, central managers, as managers and not control agents *per se*, may find themselves with better information especially as a result of new information technologies. This may tempt them to manage in a centralized mode. Second, a preoccupation with the informational requirements for reporting purposes may well deflect time away from communications with those to whom authority has been delegated. In this case, the result may be that less attention is given to the interpretation of soft data and intelligence from the field, a time-consuming effort at the best of times because it requires some measure of face-to-face contact.

Although there is no dearth of information generation and communication in government, the establishment of effective communication systems has been a major challenge. This has been the case for both vertical and horizontal communications. Vertical communications have been adversely affected by two factors: the tendency to increase the number of levels in the hierarchy and the tendency to fracture authority for the different functions of management—finance, personnel, evaluation, control, programs and so forth. The former gives rise to a multiplicity of communication filters; the latter, to a multiplicity of communication flows. The former increases the possibilities of distortion; the latter, of conflicting signals. The preference for secrecy in government exacerbates both tendencies.

Two developments are noteworthy in respect to these tendencies. The first concerns the changes in some departments, as we have outlined, to reduce the number of levels in the hierarchy in order that the flow of direct communication—that is, person-to-person—is enhanced. In a number of deconcentrated and decentralized departments this has meant extending the span of reporting relationships of the deputy minister so that senior regional officials report directly to the deputy rather than reporting indirectly through either program ADMs or an ADM for field operations. The second development has been the separation of functional and line authority so that regional structures receive communications from a single source—the office of regional director—rather than from several headquarters divisions separately. The degree to which regional structures are themselves deconcentrated and decentralized does of course affect the extent to which communications are simplified and made more direct. Some departments have regions which incorporate more than one

provincial/local area while others have regions which are conterminous with provincial boundaries.

In each of these respects communications for management are enhanced given that judgments on soft data and informal intelligence are more effectively brought to bear on managerial strategy and decision making. Effectiveness here concerns the speed with which issues can be addressed, the capacity of managers to relate person-to-person to deal with nuances not easily captured in formal written communications (particularly those prepared in accordance with standardized formats); and, finally, the personal networks that are thus established which enable officials at various levels in the hierarchy to bypass formal reporting relationships when required but with the explicit understanding of all concerned that this is done for the purposes of efficiency and not to sabotage the policies or programs of the department.

Effectiveness occurs, however, only when these communication systems are used for a two-way flow of information. If used primarily to impose greater central control and monitoring then resistance will result down the line. If used for essentially symbolic purposes then increased frustration and alienation from the centre will be the outcome. In most cases the challenge of more effective two-way vertical communications appears to be taken seriously. The challenge is indeed a major one, nonetheless, given not only the travel demands it imposes, especially for regional officials from the geographical peripheries, but also in the rigorous time demands it imposes both on headquarters and regional officials to prepare, digest and comment upon as well as to discuss a great volume of documentation. Recent developments in information and communications technology have obviously been a major factor here; without them, meeting this challenge would be much more difficult, if not impossible.

Improved horizontal communications have also been effected in recent years, at least in some areas. At the centre of strategic decision making, as we have noted, there was in the late 1970s the creation of mirror committees of deputy ministers for the three major policy sectors of the government: economic and regional development, social development, and foreign and defence policy. These committees were chaired by the deputies of the ministry of state organizations established for each of the sectoral cabinet committees in these three areas. Their purpose was to enhance the interdepartmental or horizontal coordination of policy advice in the context of the government's policy and expenditure management system (PEMS). As a result of this structure, communications between departments were enhanced. The decision by Prime Minister Turner to abolish the ministries of state and with them the mirror committee system—a decision not reversed by the Mulroney government—has resulted in a

reduced capacity for horizontal communications at the strategic apex. As a former PCO official put it, "the onus is on departments to ensure that appropriate consultation occurs."¹⁹ The clerk of the Privy Council/secretary to cabinet does convene meetings of all deputy ministers for communication purposes, and this practice has been extended since 1984. But several officials have expressed the view that the elimination of mirror committees has diminished the effectiveness of horizontal communications. This view is perhaps best confirmed by the fact that a special committee of deputy ministers established for the Canada-United States trade negotiations has been used by deputies as an occasion to conduct business unrelated to trade issues as was a short-lived committee of deputies brought together by the deputy minister of finance.

At the departmental level increased priority has been given to horizontal communications. In part this is a result of restraint on the expenditure side. Ministers and deputy ministers thus seek to ensure that integration, coordination and economies of scale are effected in order to release expenditures for new or priority items. Departmental management teams are not new, of course, but they are increasingly used for strategic decision making, a purpose that increases the demand for effective communications both between program managers and between program managers and those responsible for departmental planning, control, common service, and evaluation functions. The latter especially have become more involved in strategic decision making, in part as a result of restraint, but also because of an increased recognition of the need to better integrate their functional responsibilities into program management. This means that the information and communications systems developed by the latter for their special purposes have to be made more relevant to the needs of program managers. The Department of Indian Affairs and Northern Development, for example, has been most aggressive in this regard in its recent efforts to integrate management, corporate planning, and program review with general program management. Transport, as we have noted, has been equally aggressive, although in this case a centralization of the department was deemed necessary to promote better horizontal communications for policy integration and resource allocation.

Horizontal communications between departments at the regional level are also not of recent origin but, as the Department of Regional Economic Expansion's efforts in the 1970s demonstrated, there was much to be desired in the effectiveness of such communications. The creation of the provincial offices of federal economic development coordinators in 1982 constituted a major innovation in this regard. It not only provided regional officials in line departments with another communication link between Ottawa and the regions (in

some cases a more effective communication network than that provided by their own departments), but it also served to bring together in a formal network—the FEDCs' regional council or committee—officials from line departments who, in some if not many instances, had little to do with one another notwithstanding the scope of interdepartmental relations extant at the time. Indeed, the effectiveness of this new structure as a horizontal communication device was demonstrated in 1984 when it survived in the abolition of the Ministry of State for Economic and Regional Development. The mandates of ACOA and WDO in this regard are significant, precisely because priority has been given to the coordination of federal government departments in each region. This is not entirely a new priority but it does now extend to the regions of Atlantic and Western Canada, that is, beyond the confines of a single province.

Within departments effective horizontal communication networks are largely a function of the degree to which regional structures are integrated or divisionalized. If integrated, then horizontal communications are enhanced because the regional structure, under a director, director general or ADM, has some capacity to exercise delegated line authority over the allocation of resources between programs, the use of common resources, and the management of issues that cut across more than one program. On the other hand, divisionalized regional structures by their very nature impede horizontal communications, because the decisions which affect them are made in Ottawa and thus the critical information flows are vertical and not horizontal.

Summary

From the foregoing account it should be clear that each of the several major determinants of organizational structure has both centralizing and decentralizing effects. This ought not to be surprising for, as we have noted, the centralization-decentralization continuum in complex organizations never swings entirely to one pole or the other. The very nature of complex organizations requires some degree of centralization so they can possess a measure of integration, coordination, and control for the purposes of strategic management while, at the same time, a degree of decentralization is required if deconcentration, differentiation, and divisionalization are to be effected in the implementation of strategic policies and decisions.

In addition to the determinants considered above, there are the factors of the size and age of organizations. We have left these for our concluding section so we can make two general points. The first is that the Government of Canada as a single entity, as well as all of its principal component parts, particularly all the departments that we

have noted in this study, are large-scale organizations by any measure. This very fact has required not only a high degree of deconcentration in terms of program management but also a significant measure of either *de jure* or *de facto* decentralization as well. In actual fact, there has been more *de facto* decentralization than *de jure* decentralization. In part this has been due to the slow recognition in formal organization design of either the need for or the legitimacy of decentralization by way of the delegation of authority as these organizations have become even larger, and in many respects even more complex as a result.

The tardiness to recognize the managerial requirements of decentralization is in part a function of age. On this factor, the advent of the modern public service really only begins with the time of the Glassco commission. It was only after Glassco that the mode of organization began to move away from the bureaucratic model put in place earlier in this century. The initial response was to differentiate the functions of management with increased priority given to specialist functions both within the central technostructure and in departments. This differentiation within departments, the majority of which had divisionalized forms to begin with, meant that central control over their deconcentrated regional structures now had two forms: program control from division headquarters and separate functional management controls over such matters as financial, personnel, and general administration. A form of matrix management was thus increasingly used.

The excessive degree to which regional managers as middle managers in deconcentrated departments have been subject to controls from several sources has now become widely recognized as a major organizational obstacle to effective management, given that some measure of decentralization will occur even if not according to formal design.

Notes

1. Doern, "The political administration of government reorganization."
2. Hodgetts, *The Canadian Public Service*, Chapter 7, pp. 138-156.
3. Phidd and Doern, *The Politics and Management of Canadian Economic Policy*, pp. 398-399.
4. Employment and Immigration Canada, *Organization Study: Local and Regional Offices*, October 1985.

5. See Donald Smiley, *The Federal Condition in Canada* (Toronto: McGraw-Hill Ryerson, 1987), Chapter 4, pp. 83-100.
6. See John Warhurst, "Managing Intergovernmental Relations" in H. Bakvis and W. Chandler (eds.), *Federalism and the Role of the State* (Toronto: University of Toronto Press, 1987), pp. 259-276.
7. Aucoin and Bakvis, "Organizational differentiation and integration: the case of regional economic development policy in Canada," pp. 360-361.
8. Atlantic Canada Opportunities Agency, "Mandate and Program Details," June 6, 1987, 3 pp.
9. Office of the Prime Minister, Statement by Prime Minister Mulroney on the announcement of the Western Diversification Initiative, Edmonton, August 4, 1987.
10. Quoted in David Zussman, "The Mulroney Government and the Public Service," in Michael J. Prince (ed.), *How Ottawa Spends* (Toronto: Methuen, 1986), pp. 258-259.
11. See Aucoin, "Organizational Change in the Machinery of Canadian Government: From Rational Management to Brokerage Politics."
12. Bakvis, "Regional Ministers, National Policy and the Administrative State."
13. Lambert Commission, p. 177.
14. Campbell, *Governments Under Stress*.
15. Michael Pitfield, Speech to the Empire Club, Toronto, October 20, 1983, quoted in William A. Matheson, "The Cabinet and Canadian Bureaucracy," in Kenneth Kernaghan (ed.), *Public Administration in Canada* (5th ed.: Toronto: Methuen, 1985), p. 278.
16. H.L. Laframboise, "The Future of Public Administration in Canada."
17. Richard J. Schultz, *Federalism, Bureaucracy and Public Policy* (Montreal: McGill-Queen's University Press, 1980), especially pp. 180-189.

18. T. Grusec, "Office automation in government offices: 'productivity' and other myths," *Optimum*, Volume 16, Number 2, 1985, pp. 7-23.
19. Clark, "Recent Changes in the cabinet decision-making system in Ottawa," p. 195.

Chapter V

The Centralization-Decentralization Conundrum

In this concluding chapter we consider the centralization-decentralization conundrum and how it might be resolved. We refer to it as a conundrum because in principle and in practice the proper functioning and management of complex organizations require the simultaneous existence of both centralization and decentralization. Our discussion of this question has been left to the end because it is in most respects the ultimate question of organizational design. Having proposed a tentative solution—based on the “tight-loose” configuration—we can then briefly reflect on and assess the overall practices that we discussed earlier. Finally, on the basis of our consideration of these principles and practices, we focus on what we see as the future prospects with regard to this organizational conundrum.

Principles

The principles relating to the centralization or decentralization of decision-making authority in public administration focus on six criteria. These apply to the degree to which decision-making authority should be centralized or decentralized at the level of the strategic apex of government, that is, the prime minister and cabinet, at the level of the individual minister as head of a particular portfolio or department, or at the level of program managers within departments, in particular at the middle or regional levels in highly deconcentrated departmental structures. We identify the six criteria

as: (1) coordination and integration, (2) uniformity and standardization, (3) economies of scale, (4) particularity and specialization, (5) flexibility and responsiveness, and (6) efficiency and effectiveness. The first three criteria are usually associated with centralization; the last three with decentralization. But as we have stressed, we are dealing here with a continuum and not an either/or set of absolutes.

The logic of centralization derives first and foremost from the need for government, as a single organizational entity, to function as a coordinated and integrated system. There are, as we have noted, both constitutional and political reasons for this. There are also, of course, managerial reasons: budgetary, intergovernmental and strategic policy being chief among them. At some point there must be an expenditure budget for the entire government if budgeting is to cope with scarce resources; the government must endeavour to be as consistent as possible in its dealings with other governments—foreign and provincial—if its relations with them are to be effective; and the policies and programs of the government must be synchronized if there is to be anything resembling a strategic plan to deal with the interdependencies between policies and programs. Secondly, centralization serves to achieve a measure of uniformity and standardization in the governing of citizens regardless of their place of residence. Equality and fairness in the provision of public services and the regulation of socioeconomic behaviour demand a uniform approach to policy and program design and standards for their implementation. Finally, economies of scale require that various resources—financial, personnel, services and equipment—be used in ways that promote economy or value for money.

In all of these respects there are constitutional and political requirements to be met. In addition, Parliament imposes a great number of legal requirements, insofar as the undertakings of government are subject to specific statutory provisions. The expenditure budget, for instance, has a statutory basis and in a number of respects requires centralized decision making for its allocation. Public services and regulations, especially the latter, often are subject to detailed legislative requirements which insist upon uniformity and standardization in their implementation. The same applies to many aspects of the use and procurement of resources, particularly in the areas of staffing and contract tendering. Finally, the legislatively prescribed external auditing of departmental programs has been established as a value-for-money exercise in accountability for the use of resources.

These several constitutional, political and legal requirements not only serve to promote centralization but do so precisely on the basis of the principle that these three criteria should be imposed on government organization and management. They are rooted in our

system of collective and ministerial responsibility to be sure but they also extend to management within the permanent public service: in short, they apply across the politics-administration divide. Not surprisingly, therefore, they are adhered to as much by public servants as by their political masters. As values, they account in some large measure for the distinctions made between policy and management on the one hand, and administration and operations on the other. As criteria for organizational design, moreover, they assume that the capacity exists at the centre (either at the governmental or departmental levels) to collect, digest, manipulate and monitor information (data and intelligence) for decision making and management in ways that achieve the expected policy coordination and integration, uniformity and standardization in implementation, and economies of scale in the use of resources.

Under conditions of complexity and diversity, however, good government and the administration of it require that attention also be given to the three criteria of particularity and specialization, flexibility and responsiveness, and efficiency and effectiveness. These criteria are recognized in the constitutional structure which gives high priority to individual ministerial responsibility, as distinct from collective ministerial responsibility. They are recognized in the politics of organizational design, that is, in the demands that ministerial portfolios be assigned to an increasing number of separate constituencies and fields of public policy and administration. And, finally, they are recognized in the increasing need to decentralize the management practices of government. In short, this second set of three criteria encompasses the principal reasons why governments do decentralize.

The logic of decentralization derives first and foremost from the fact that while government is a single entity it also must pursue activities which by their very nature require a measure of particularity and specialization. The provision of public services and the regulation of socioeconomic behaviour constitute the general characteristics of public policy and programs but at the level of specific policies and programs there is much that is particular, even unique, to them. Policies and programs for the management of the fisheries, for example, are quite different from policies and programs for the management of Indian affairs. In many areas there are interdependencies to be sure but these do not eliminate the particularities themselves. These give rise, moreover, to specialization in the management of the different policies and programs even if this specialization is not as professionally or technically based as the actual operational components in service delivery or regulation.

Secondly, decentralization serves to introduce a degree of flexibility and responsiveness whereby policies and programs can be

managed in ways that tailor them to specific circumstances and admit of special treatment as deemed appropriate. Equity and positive discrimination, in short, are also to be promoted. Thirdly, efficiency and effectiveness require that the resources be deployed in ways that best realize the objectives of policies and programs. The duplication of resources in more than one location is thus a benefit and not merely an added cost if it results in improved efficiency and/or effectiveness.

To the degree that these criteria are considered to constitute values to be advanced in organizational design, then the distinctions between policy and management and administration and operations are essentially collapsed, for authority then needs to be delegated down the hierarchy. The basic assumption underlying the delegation of authority is that the centre cannot collect, digest, manipulate and monitor all the information required for decision making and management in ways that give sufficient attention to the desired particularity and specialization, flexibility and responsiveness, and efficiency and effectiveness. Decentralization is necessary to overcome information overload, insensitivity to soft data and field intelligence, and administrative as well as operational paralysis.

There is, of course, a certain tension between these several criteria insofar as some push for centralization and others for decentralization. Because governments must strive to accommodate to some extent all of these criteria in their organizational design for management, the result at best will be the tight-loose configuration that we referred to in our introduction. What this means in practice is that the policy and program requirements established at the centre must not overwhelm, in their details, those with the authority and responsibility for their implementation. Some discretion must be afforded the latter. As we stated previously, this is easier said than done, especially since the tradeoffs involved are neither easy to make in the abstract, nor can they be set once and for all time or for all parts of the organization.

Practices

In recognition of the centralization-decentralization conundrum in organizational design the recent experiences of the Government of Canada have demonstrated most clearly that there is no one "right" practice to meet the several criteria just considered. Many initiatives have nevertheless been taken to cope with the various determinants outlined in the previous chapter. We assess these here under three headings: divisionalization, deconcentration, and differentiation.

Under divisionalization, as it relates to the strategic apex of cabinet and its portfolio structure, two developments need to be considered. The first concerns the divisionalization of portfolios for an

increasing number of particular and specialized responsibilities. In relation to the corporate executive this means an increasing decentralization of authority primarily because most of the new portfolios have assumed responsibilities formerly assigned to other portfolios which have not themselves disappeared. Without judging the merits of individual cases, in general we assess this development to be positive. We do so because it tends to produce a greater degree of political responsibility for policy development and even program design. More ministers means more ministerial time for such activities. Since, as the adage goes, ministerial time is the most scarce resource in government, this cannot but be judged a benefit to public administration. This assumes, of course, that there is sufficient ministerial talent on the government benches to fill these positions. We make the assumption that there is, in part because the use of some portfolios as essentially junior portfolios should enable a government to sort out those who possess sufficient talent and those who do not. In any event, the size of cabinets does not seem to have had a significant bearing on the issue of the range of ministerial talent contained within a governing party. A larger cabinet therefore does not appear to be something to be ruled out on this basis.

Second, and closely related to the first development, there has been the divisionalization of the cabinet in terms of its committee system. This divisionalization has taken the form of committees to deal with the principal sectors of public policy, namely economic and regional development, social development, and foreign and defence policy. These divisions have encompassed the full range of program portfolios in an attempt to provide for a measure of policy coordination and integration within each of these three broad policy sectors. At the same time, therefore, they represent an attempt to provide for a measure of particularity and specialization for each sector. This structure has evolved over time and has been the basis for divisionalization of cabinet decision-making process through two different management systems: first, the planning, programming and budgetary system (PPBS); and, second, the policy and expenditure management system (PEMS). The former, as we have noted, separated policy decision making from expenditure budgeting. It did so by having the Treasury Board responsible for all expenditure decision making. The latter system, PEMS, has integrated the two, by having sector policy committees responsible for both policy and expenditure decision making. In so doing, PEMS has improved the decision-making process by linking divisionalization with decentralization, that is, decentralization to these policy sector committees. An important measure of centralization is retained overall, however, in that the priorities and planning committee provides the policy framework within which these policy sector committees must operate.

The effect is the tight-loose configuration of centralization-decentralization that is required for the management of the complex organization that is the Government of Canada.

In addition to this basic arrangement for the PEMS system, however, there have been the more recent efforts to find an accommodation for regional ministers to exercise influence over the decision-making process. This has included special committees organized not on the sectoral divisions of portfolios but on spatial dimensions. The Western affairs committee of the last Trudeau government and the committee on the development of Montreal put in place by the Mulroney government are examples of this. Most recently the committee of Atlantic Canada ministers in regard to the Atlantic Canada Opportunities Agency (ACOA) has added a new wrinkle to the cabinet system. In this case, it is too early to assess how ACOA will operate in relation to this committee of regional ministers. It is also too early to assess the capacity of this committee of regional ministers to influence the decisions of the cabinet committees, especially the cabinet committees on economic and regional development, as they relate to regional development in Atlantic Canada. Its capacity to do so constitutes not only the major challenge to, but also the essential criterion for, the success of this innovation in cabinet design. Crucial to this will be the degree to which ACOA as a regionally based agency is plugged into the cabinet information system as operated by the central agencies that support cabinet decision making, principally the Privy Council Office (PCO), the Treasury Board Secretariat (TBS) and the Prime Minister's Office (PMO).

Within departments the issue of divisionalization has been a major concern in a number of instances. The principal concern from the perspective of centralization-decentralization has been the degree to which coordination has been attempted at the regional level. A number of departments, as we have seen, have been able to accomplish this, albeit with varying degrees of success; a few have tried and have not been successful; and a few others have not tried at all. In the latter two instances, coordination has thus been or become the responsibility of departmental headquarters. In a few instances, the question is one of attempting to coordinate programs which have little in common except their departmental home. In some instances, there are interdependencies between programs but, for one or more reasons, they have been managed quite independent of one another, at headquarters and thus in the field. At issue here is the question whether decentralization by divisions reinforces independence or is simply a reflection of the divisionalization at the centre. The recent reorganization of Transport assumed the former and greater centralization has been the result. Recent changes at Environment assumed

the latter and resulted in a diminution of attempts to coordinate at the regional level. The recent reorganization of Fisheries and Oceans took the opposite tack and assumed that greater integration at the regional level would provide for more coordination. In stating this issue in such simplified terms we do run the risk of overstating the case in each of these three instances. However, it is useful to put the matter in these terms because the effects of divisionalization on centralization-decentralization can be in either direction. In our view, coordination at the centre is unlikely to be successful if it is not accompanied by coordination at the regional level, at least in those departments with a high level of deconcentration. More generally, we suspect that divisionalization is too often used as an excuse not to provide for integrated regional structures in departments that simply do not wish to decentralize beyond that required for deconcentrated program delivery by divisions.

Deconcentration itself has presented a challenge to government organization in at least two respects. First, the actual dispersal of officials to the field has taken place over time in ways that have resulted in a variety of patterns among departments and even among divisions within departments. For the most part this has been due to operational criteria, that is, services are located where they are most required. In addition, a few administrative units have been located in places for the purposes of their socioeconomic impact. This was the principal rationale for the relocation of the several units which formed part of the 1975 program of the Trudeau government. On top of this, moreover, there has been the designation of regional, provincial, area, or district offices for administrative purposes. The result of all of this is that there is not an orderly pattern across departments nor in some cases even a consistent pattern within departments. In those departments which have sought to provide for a measure of coordination at the regional level, however, one does find an increasingly uniform structure. As more departments pursue this approach the greater the likelihood is that a uniform structure will be established across the government. This latter development has important consequences for those departments that must interact with other departments at the regional level.

The second challenge to the federal government with regard to deconcentration is to maintain the momentum toward interdepartmental consultation, cooperation, and coordination that has resulted from the establishment of regional councils/committees under the chairmanship of the federal economic development coordinators (FEDCs) in each province. To date this arrangement has served to fill a vacuum that heretofore existed at the regional level. Its scope has been limited, however, in that it does not encompass all departments. Consideration has been given in the recent past to an

expansion of this regional mechanism and we think that such an expansion encompassing all sectors of the federal government is in order now that the initial testing of it has proven successful. In addition we think that some means should be found to ensure that a greater central agency presence be included, as was the case when the FEDCs were part of the Ministry of State for Economic and Regional Development (MSERD).

One of the great limitations of central agency apparatus, in terms of its policy advisory functions, is that it has been too concentrated at the centre; some deconcentration, as MSERD did with the FEDC offices, would serve to counter-balance the inevitable centralizing effect of such agencies on the general management of government. The assumption that all of the Prime Minister's Office, Privy Council Office and Treasury Board secretariat/Office of the Comptroller-General (TBS/OCG) need to be located in Ottawa requires, in our view, some rethinking. In a similar vein, we think that some deconcentration of the policy oriented staff of line departments would serve to promote a greater degree of competence in departmental policy development and program design as well as to foster more effective regional coordination within departments. We use the word "deconcentration" deliberately here: we suggest that some staff positions in these areas be transferred from headquarters to the regions rather than new positions be created. In our view the technostuctures of cabinet and departments alike have been too concentrated in the capital and too out of touch with the development of regional structures for the management of government policies and programs. For at least Western Canada and Atlantic Canada, the responsibilities of WDO and ACOA for the advocacy of regional interests in national policy formulation and implementation constitute a step in the direction. Indeed, the ultimate success of this new organization design may very well depend on this very point.

The third and final aspect of government organization as it relates to the centralization-decentralization question concerns the differentiation of management structures. Our assessment on this dimension is there has been too great an emphasis on differentiation. This was carried to its extreme in the creation of the ministers of state as sectoral central agencies in the late 1970s and early 1980s. These have now gone by the wayside but we are still left with the division of the Treasury Board staff between the TBS and the OCG and the cabinet secretariat divided between the PCO and Federal-Provincial Relations Office. Although there are different functions to be performed here the degree of organizational differentiation extant in our system is the result of factors that owe more to past practices than they do to the present requirements for a more integrated management system. A greater degree of organizational integration

would serve not only to streamline these agencies, a particularly important objective if the heavy hand of central agencies is to be reduced, but also to signal to departments that integration within departments is to be pursued.

At the departmental level one does find, as we have noted, some degree of movement toward a more integrated approach to management. This accords with similar initiatives in the private sector where integration, particularly for the purpose of strategic management, is now in vogue. Integration, at either the headquarters or regional level, can be taken only so far. Nevertheless, there is clearly the need in departments to have program management more fully integrated with and responsible for the several dimensions of management: corporate planning and evaluation; administrative systems and services; and financial and personnel management. This is beginning to take place but will only be extended to the degree that senior managers, especially deputy ministers, give highest priority to it. Moreover, in our view it will take hold in departments only to the degree that it is extended down to the regional level on the one hand and incorporates regional managers into departmental management on the other. In short, it must have its decentralizing component built in.

Prospects

We began this analysis by juxtaposing the Glassco commission's analysis of the organizational imperative for the complexity and diversity of Canadian public administration with the 1986 Treasury Board initiative, Increased Ministerial Authority and Accountability, designed to introduce a new philosophy of government for the purposes of meeting essentially the same conditions of complexity and diversity. We conclude our final chapter by considering the prospects for a more successful answer to the centralization-decentralization conundrum in the near future than was the case in the aftermath of the Glassco commission.

There are a number of reasons to be optimistic about current trends in the management of government generally. Before turning to them, however, it is important to stress once again that in public administration ministers are very much involved in the way in which the government as the executive-administrative branch is formally designed, is actually structured and conducts its business. In these respects there are three factors that must always be uncertain. The first concerns the policy objectives of a government. If a government lacks clear policy objectives, this will inevitably result in attempts to centralize decision making whatever the formal structure in place. Secondly, if ministers are for any number of reasons obsessed by their

own political insecurities, they will centralize power to themselves. They will also insist that their senior officials take whatever steps are necessary to reduce managerial discretion over decision making. Thirdly, if ministers are served by inexperienced and/or incompetent political staff, the latter will seek to centralize decision making out of their lack of knowledge or understanding of government or departmental requirements for management. To the extent that one or more of these conditions obtain, there is precious little that can be done in the way of organizational design for good management. At best the system copes.

This qualification notwithstanding, we do think that there are reasons to be optimistic. These reasons are grounded in what we suggest are at least three important lessons that have been learned since the days of the Glassco commission.

The first is that public policy and program design cannot be accomplished effectively by centralized planning or even centralized coordination of planning. This is not simply because Canada is a big country, nor that the Canadian political system is a federal one. Rather it is due primarily to the fact that the Canadian socioeconomic order is complex and diverse and our political economy is highly regionalized. Our geographic size contributes to our regionalized political economy; and our federal system serves to institutionalize several dimensions of it. The complexity and diversity of our socioeconomic order extends beyond the regionalization of our political economy, however. Regional and local cultures, although often exaggerated in their variations, do exist and create differences in demands for state intervention in socioeconomic affairs. At the same time, many cleavages cut across local and regional boundaries and thus cannot be accommodated exclusively by reliance on our federal system of national and provincial governments with their separate fields of jurisdiction: a national accommodation of conflicting demands is required on a number of fronts. But such accommodations must reconcile conflicting demands in ways that do not always admit of nationally uniform or standardized solutions either in design or in execution.

This is not to argue that Canada is unique in these respects; indeed, most if not all advanced industrial democratic political systems are confronted by such complexity and diversity. Nor is it to argue against planning by government. Rather it is to argue that improved planning for policy development and program design requires a more comprehensive knowledge and understanding of the forces at play in the socioeconomic and political orders, including their regional dimensions. This is unlikely to be achieved if regional/ field intelligence and management experience are not incorporated into the planning process. There is, we think, a greater appreciation of this

requirement now extant in the public service than has been the case in the past. In part, this appreciation is based on lessons learned the hard way, that is, through mistakes and errors, especially but not only in the field of regional development policy. In part, too, it is based on a more sophisticated appreciation of the limits of planning when conducted in isolation from management. Insofar as management involves regional officials then planning, in the sense of strategic planning, should involve these officials and not merely in a reactive capacity. The increasing role of senior regional officials on senior management committees in departments constitutes a recognition of this requirement.

A second lesson that has been learned is that centralization and decentralization as factors in organizational design can be mixed in ways that do not require a rigid division between policy on the one hand and operations on the other with the former centralized and the latter decentralized. Rather there can be the tight-loose configuration noted previously whereby policy development and program design in terms of fundamental objectives and criteria are established for the government or a department at the centre and policy implementation and program delivery are managed in the field by officials who exercise discretion on the basis of delegated authority. Policy development and program design at the centre should involve strategic regional input; policy implementation and program delivery in the regions should involve centre-regional interaction over policy interpretation in strategic instances. This tight-loose configuration, in short, implies that mutual adjustment constitutes the norm for decision making and thus organizational coordination. Regional officials are not simply let loose with delegated authority to do as they please; but neither is decision making or coordination so tight that direct supervision or complete standardization is imposed on regional officials.

In order to manage by way of a process of mutual adjustment at least two conditions must obtain. First, regional officials must be involved in strategic planning and management at the centre. Second, and equally important, the approach taken by both centre and regional officials must incorporate a give and take based on trust and confidence on both sides. The first condition can be met by way of the formal organizational design; the second only as a function of the personal and group interaction between individuals. Needless to say, the second constitutes the greater challenge given the inevitable conflicts which exist in management, especially in large and deconcentrated organizations. In our view the increased priority now being given by senior managers to the management of people constitutes a recognition of the need to build management teams that

are based on these norms. Management by hierarchy is, we think, gradually giving way to a new approach in interpersonal relations.

Finally, we regard the growing acknowledgement of the need for a philosophy of management as a maturation of public administration. There is, to be certain, an element of faddishness in this but in our view there is also an important element of attitudinal change. This change is not one to be scoffed at or ignored simply because some manifestations of it appear superficial at best and trivial at worst. Inherent in this change is a maturation that builds on the tradition of a neutral public service but which goes beyond the bureaucratization prescribed by the so-called scientific management school to a recognition of the "learned profession" that is public administration. As evidence of the maturation we would include the increased recognition of the following: the need to integrate policy and management as well as several differentiated functions of administration; the need to pay greater attention to the management of people; the need to give greater priority to experience in program management in the career development of potential senior managers; and the need to place greater emphasis on actual performance in the selection of senior managers.

In each of these above respects the evidence is clearly relative *vis-à-vis* past practices and norms. For this reason, needless to say, one does not need to search long to find instances which conform to past practices and norms. What we find most revealing, nonetheless, is that criticisms within the public service are now presented using the criteria of the emerging philosophy of management as a learned profession. Instead of attributing perceived deficiencies to "the ways of bureaucracy" or "government," the critics (and even the cynics) focus on the shortcomings of particular individuals or their faulty designs: hence references such as "an inability to manage people," "fails to communicate," "lack of trust of subordinates," "lacks hands-on experience," "never leaves Ottawa," "too concerned with process," or "does not use his/her financial people," "wants too narrow a span of control," "will not delegate."

In short, what is perceived to constitute good management, even by those who say they see little in the way of improvement in the system, is increasingly focused on the same criteria by which we see some evidence of a change in practice. In our view this change is both reflected in a more deliberate effort to decentralize and in turn is reinforced by it, a development, we feel, which is all for the better.

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